

The University of Chicago

TARIFFS AND INTERNATIONAL
RELATIONS IN EUROPE
1860-1914

A DISSERTATION SUBMITTED TO THE
FACULTY OF THE DIVISION OF THE
SOCIAL SCIENCES IN CANDIDACY FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF ECONOMICS

1938

By
WALTER BENNETT HARVEY

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CHAPTER I

INTRODUCTION

Scope

This study deals primarily with the interrelations of the tariff policies and foreign policies of the great powers of Europe from the Franco-Prussian War to the World War. The aim is to estimate the role played by considerations of tariff policy in the determination of foreign policy and vice versa.

It has been stated, as a particular illustration of the economic interpretation of history, that capitalists force their governments to build tariffs to keep out the goods of the foreigner and at the same time to bring diplomatic pressure to bear on foreign governments to secure reductions in foreign tariffs, and that the resulting friction has been an important cause of international ill will and war. It has been my aim to discover what, if any, verification of this thesis could be derived from a study of the historical evidence bearing directly or indirectly on this question.

Two methods of treatment seemed open: First, to present the material as a collection of cases in which important relationships were found to exist; second, to give a general sketch of tariff policy and foreign policy during the period, and show how they were related. The latter method was chosen for two reasons.

An intensive study of one phase of a subject is likely to lead to a loss of perspective. After all, the final objective in historical study is to arrive at the relative importance of the various factors at work, and this cannot be attained in a study which treats of one factor only. A mere series of cases in which there was some connection between tariff policy and foreign policy would inevitably deceive the reader into thinking that tariffs and trade have been a much more important factor in international relations than has actually been the case. The addition of the more general sketch of policy is meant to aid in maintaining a balanced view of the situation. This aim might have been attained by reference to standard histories of the period, were it not that

the conclusions to which my study has led are not quite in accord with any published history.

Nationalism in Foreign Policy¹

The outstanding problem in considering the course of foreign policy in the last few decades is to explain the growth of Chauvinistic Nationalism, coincident with the general drift in the direction of making human values, including peace, the objective of state policy.

The influence of nationalism will be met with throughout this study. At this point it is sufficient to remark that national feeling was the controlling factor in the attitude of several of the great powers before the war. Franco-German hostility, Austro-German friendship, Russian opposition to Austria and Germany and the attitude of large sections of public opinion in Italy to Austria--all were products of nationalism. It may be said that national sentiment displaced geographical position as the major determinant of friendships and enmities. In feudal times, when the common people were regarded as appurtenances of the soil, which belonged to whomever could conquer it, the usual situation was for a prince to be hostile to his immediate neighbors, since it was from these that there was most likelihood of winning territory or suffering loss of it. Latterly, though there have been many cases of neighbor hostility, there has always been the added factor of national feeling. The change is illustrated in the relations of Austria and Prussia which, after long generations of hostility, became allies because of the feeling of kinship--likewise in the case of Prussia and Russia which, after ages of friendship based on common antagonism to Poland and Austria, became hostile because of the growth of Pan-Slavism and Pan-Germanism.

It is easy to see how national hatreds may arise, but it remains to explain the forces that make them more extreme at one period than at another. This explanation can be made in terms of the steps in the course of the transition of power from prince to people, together with the concomitant changes in intellectual outlook.

¹Cf. Carleton J. H. Hayes, Essays on Nationalism (New York: The Macmillan Co., 1926) and The Historical Evolution of Modern Nationalism (New York: R. R. Smith, 1931).

The Renaissance monarchs eventually accepted the ideology of the feudal landlords and made the extension of their dominions and the increase of their military power and prestige their constant objective. The hostility was still the personal hostility of the rulers rather than general hostility between peoples; nevertheless, certain rivalries, like that of England and France, came to be regarded as normal and permanent and the idea of hereditary enmities arose.

With the rise of the bourgeoisie we have the beginnings of the paradox, because the bourgeois was at once a nationalist and a man of peace. The nationalism of the bourgeoisie was a revolutionary and Democratic movement. A certain sense of identity, a certain sharing of common values, a consensus of some kind, is a necessary prerequisite of Democracy. There must be something with reference to the welfare whereof policy may be judged and decisions made.

Rising Democracy finding itself within an existing state, took this state, or its population, for the entity whose welfare was to be the general aim. Thus in a sense a certain amount of nationalism was a prerequisite of Democracy. Nationalism in this sense, however, is not, like modern nationalism, sharply distinguishable from humanitarianism. In fact, this early nationalism was essentially a revolt against Feudalism, a revolt against the horizontal division of society by classes, a struggle against the inherited privileges of the landed aristocracy. There does not seem to be any a priori reason why all these aims could not have been pursued on a continent wide basis, on an appeal to humanity as a whole and, as a matter of fact, in the early years of the French Revolution, it was to a considerable extent a universal movement. To this must be ascribed much of the success that then attended the French arms. Liberty, Equality, and Fraternity were demanded in the name of humanity and appealed to the oppressed of all lands.

Europe, however, was too big to organize as a unit. The military situation, and the unfitness of the people for Democracy, made impossible an extensive Federalism, which was the only form of government that could have encompassed all Europe.

Moreover, as the warfare went on, the French Revolution became more French and less revolutionary and the war came to be looked on by the non-French peoples as a war of liberation against

the French. If the success of French arms was only to mean the substitution of a Buonaparte for a Hapsburg or a Hohenzollern, the ordinary German went in on the side of ancient dynasty, on the ground that "our masters then were still at least our countrymen."

From then on the old Feudal class, against whom the early revolutionary nationalism had been directed, took over the nationalistic device, but changed it from an essentially humanitarian anti-class movement into a fratricidal opposition of nations. Thus, though the bourgeois were nationalists, theirs was not the sort of nationalism that is opposed to internationalism but one which, recognizing national differences, stands everywhere for liberty, government by choice of the governed, and non-interference with affairs of other states. We shall later see that in most cases the capitalists were never quite able to secure the acceptance of this view as the view of the state, in that the landed and military classes captured the nationalistic movement and turned it to their own chauvinistic ends, but the point must be made that in spite of his nationalism the bourgeois was and is a very cosmopolitan figure--much more so than the peasant or manual worker. The proof of this lies in the records of the great financial and commercial figures of modern Europe from Rothschild to Ballin.¹

As a partial explanation of the persistence of warlike attitudes in the bourgeois period it must be borne in mind that a great deal of Feudalism has survived. In Britain, Germany, Austria-Hungary, and Russia the direct descendants of the old Feudal nobles remained a power in the land, often able to exert an influence equal to that of the bourgeoisie.

Indeed, the bourgeoisie was content to leave Diplomacy and the conduct of foreign affairs to the old nobility almost all over Europe. Hence the values aimed at tended to remain those of the old landed aristocracy, and the augmentation of the relative military power of the state remained the chief aim.

We have here an example of cultural lag--an ideology persisting in one department of state policy, which was quite out of harmony with the modes of thought prevailing in others.

¹See Jacob Viner, "International Finance and Balance of Power Diplomacy 1880-1914," The Southwestern Political and Social Science Quarterly, March, 1929; "Political Aspects of International Finance," The Journal of Business of the University of Chicago, April and July, 1928; also Herbert Feis, Europe, the World's Banker, 1870-1914 (New Haven, 1930).

Another important factor in the growth of nationalism is found in the phenomenon of Irredentism. Wherever in Europe a state boundary does not coincide with a division of nationality groups there is agitation for change. In cases like pre-war Poland, where one nationality is entirely within states of different nationality, there may be little effect on foreign policy, although the Polish question affected the relations of Germany and Russia for a considerable time. But where, as in Alsace-Lorraine, Italia Irredenta and Bosnia-Herzegovina, there is a subject population which is part of a nationality of which the remainder forms an independent national state, the foreign policy of the states concerned is likely to be dominated by that fact.

Moreover, Irredentism, as it is presented to the public, is entirely in accord with increased emphasis on values dear to the broad masses of the people. The nationality is represented as an organism or a family. The unredeemed territory is referred to as the "wound" or the "amputated member," its people are called the "enslaved brothers," etc., and the sentiments evoked by these metaphors are of great human appeal. Further, the idea that populations should be ruled by governments of their choice certainly represents a move in the direction of giving effect to popular will, as compared with the Medieval and Renaissance situation, where all populations were looked upon merely as subjects of princes, and were parcelled out with no regard for the nationality of the people or for any other matter of popular concern.

Another, and, in my opinion, by far the most important, cause of the growth of nationalism was the change in the prevailing intellectual outlook. Liberalism, Democracy, and Cosmopolitanism grew up in and were part of an intellectual milieu pervaded by a conviction of an underlying harmony of interests between men, classes, and nations. This has given place to a popular interpretation of Darwinism in which conflict of interest and struggle for survival are the chief ideas. The world is regarded as a collection of states engaged in a struggle for existence in which success for one means defeat and extinction for the other. In some quarters this feeling is reinforced by the Hegelian theory of the state which holds that the significant reality is the state and that individual human beings have no meaning or purpose except as they contribute to the state.

To sum up, the nationalism of the pre-war era can be explained largely by the fact that the aristocrats in charge of foreign affairs were able to make their aims--military power and territorial expansion--the aims of the state by convincing the masses of the people that what was being sought were the genuine human values of security and economic and cultural advantage. Other factors that contributed to the same end were the various "irredentas," the popular version of Darwinism which represented nations as engaged in a life-and-death struggle for survival, and in some quarters, the Hegelian theory of the state.

The General Course of Tariff Policy

With regard to the course of tariff policy in Europe, two significant generalizations seem possible. First, with regard to the height of tariffs, the trend was downward from 1840 to about 1876, and thereafter upward, though the reversal did not take place in all countries at the same time. Second, with regard to form, the earlier system, which continued in Germany and Austria-Hungary, was the so-called general-conventional tariff under which a tariff act was passed by the legislature, the general tariff, and modifications in it were made by treaties with other states, most of these treaties containing the unconditional most-favored nation clause, so that the tariff actually in force was the lowest rate specified in any of the treaties. The later system was the so-called autonomous maximum-minimum tariff in which the legislature passed a double schedule tariff, the higher, maximum rates corresponding with the general tariff of the other system and the minimum rates being accorded to other countries by treaty. The change from the former to the latter system, where it was effected, took place shortly after the reversal in the trend towards free trade and was connected with the same set of causes. Let us consider some of these.

The trend towards free trade was the logical result of the dominance of liberal ideas, and is in accord with the trend towards human values. It is the reversal of this trend that requires explanation. Protection is an uneconomic phenomenon, like nationalism with which it is connected. Various special circumstances contributed to the growth of protection in individual countries and these will be dealt with later. There were, however, a few factors of such general application that they may be mentioned here.

Fiscal needs were often used to justify tariffs which were in reality protective, but it is possible that in many cases the ministers were really sincere in their statements that the foreigner would pay the tax. The tendency to resort to tariffs was stronger where financial difficulties were marked by depreciated currencies as in Russia, Italy, and Austria-Hungary. These were regularly debtor countries, and consequently their finance ministers were concerned with the foreign exchange situation and sought to improve it by cutting down imports through the tariff.

Again, the tendency to organization and in some cases to trustification of industry on national lines, created powerful bodies interested in protection. This has its connection with nationalism, since in the days of cosmopolitanism it would make no difference to the spinner of Manchester whether his competitor lived in Manchester or in Germany, but with national sentiment in the air it did make a difference.

Another factor of world-wide effect was the economic difficulties caused by the long price decline following the crisis of 1873. This was intensified by increased agricultural exports from the new world and by the general inability to make profits. The cheap foreign goods were blamed for the situation.

That cheap goods should be looked on as an evil reflects another change in attitude, connected with the growing power of labor, whereby welfare is judged from the standpoint of the producer rather than of the consumer. This is connected with the inability of the average man to see through the fallacy of composition and to see that there is a connection between volume of employment and wage levels. The worker can see that his industry can be benefited by a tariff; he does not consider whether tariffs generally would take more from him as a consumer than they give him as a producer.

He can see that a protected market for the product he is working on will make for more employment in that industry; he does not consider whether it may not make for unemployment in export industries or whether the additional employment might not have been as readily obtained by taking a reduction of his money wage equal to the reduction in real wages he takes in paying the higher prices for what he buys.

Nationalism is directly a factor with all those who accept the Renaissance ideal as the correct object of policy. If the aim

is to increase the relative power and prosperity of the nation, it is immaterial whether this is attained by increasing your own or decreasing that of the other country. A tariff that shuts out a large fraction of the production of another country is likely to injure that country seriously, and even if your own country suffers somewhat in the process, it may still be a gainer relatively. This is particularly true of countries with diversified resources and climate, which could exist comfortably with very little international trade.

In brief, organization of industry on national lines, fiscal and exchange difficulties, the growing influence of voters incapable of understanding trade theory, combined with chauvinistic desire to inflict a loss on the foreigner, suffice to explain the adoption of policies condemned by economists for one hundred and fifty years.

CHAPTER II

GERMANY AND FRANCE

The Treaty of 1862-65

In a general way the history of Europe from 1860 to 1918 may be described as the rise and fall of the Hohenzollerns. In 1860 King William of Prussia ruled a state which took second place to Austria in the Germanic Confederation and ranked lowest among the great powers of Europe. At the time of Bismarck's retirement, Emperor William II ruled the most powerful military state in the world and was allied with Russia, Austria-Hungary, Italy and Roumania, and was on the best of terms with Britain and practically all the other nations of the world except France. In 1918 that same William II was forced to flee for his life from revolution that had welled up after four years of war in which all the great powers of the world except the old Hapsburg monarchy were ranged against him.

I have used this story as the basis for the order of my chapters. Hence, I deal first with the relationship through which Prussia won her place as the first military power in the world and made her king the Emperor of Germany. This is followed by the story of the ending of the Hohenzollern feud with the Hapsburgs. Chapters IV to VI show how Russia went over from Germany to France and how the Austro-Serbian quarrel entered the picture. Chapters VII to X trace the movement of Britain and Italy from the side of Germany to that of France.

We begin then with the simplest and clearest case, that of France and Germany. In this case, after 1871, the general political relations were determined by the cession of Alsace-Lorraine, and their tariff relations by Article 11 of the Treaty of Frankfort. We must inquire, therefore, how this situation developed.

Beginning with tariff relations, we find that these were regulated prior to the outbreak of the Franco-Prussian War by a treaty negotiated in 1862 between France and Prussia and finally

brought into force in 1865.

The factors that impelled Napoleon III to make this treaty with the Zollverein were partly economic but mainly political. Alfred Zimmermann states that Napoleon III had made offers of a treaty to Prussia before the Cobden Treaty was arranged, and that agreement seemed certain when Napoleon discovered that the political effects would not be enough and broke off negotiations in anger at Prussia's neutral position on the Eastern question.¹

However, Napoleon again offered to negotiate on January 26, 1860. Prussia notified the other governments of the Zollverein of these negotiations in June of that year. The treaty was signed March 29, 1862.

The evidence regarding Napoleon's views at this particular time is slight, but it is not irrelevant to note that in April, 1860, Napoleon wrote to Moustier, his Minister in Berlin, of the need of a rectification of the frontier from Mainz to Cologne to provide for easier defense, and added that he wished to reach his goal by friendly discussions and understandings.²

On the German side, the treaty was made by Prussia as the treaty making power of the Zollverein. In deciding to sign it, the Prussian Government of the day was influenced by political considerations.³

Bismarck became Prime Minister in September, 1862, and it was he who fought the treaty through to ratification. It should be noted in passing that, while political motives were dominant in the minds of the ministers, the members of the Prussian Diet favored free trade on economic grounds. "At the time the war minister was being hissed, the trade and foreign ministers,

¹Alfred Zimmermann, Die Handelspolitik des Deutschen Reichs (Berlin, 1901), pp. 25-26.

²Baron Beyens, Le Seconde Empire (Paris, 1924), I, 313; Ludwig Lang, Hundert Jahre Zollpolitik (Wien: Fraume, 1906), p. 159, states that Napoleon was moved to this step chiefly because he feared that the Cobden Treaty might be rejected by the British Parliament; Joseph Grünzel, Handels-politik und Ausgleich in Oesterreich-Ungarn (Wien: Holder, 1919), p. 33, says that he wished to get out of his isolation by securing the adherence of other states to his free-trade principles.

³W. Weber, Der Deutsche Zollverein (Leipzig: v. Veit, 1871), p. 386: "While the officials and experts in Berlin were dealing with individual stipulations of the treaty and raising difficulties, Minister von Bernstorff and the King had already

Delbrück and Philippsborn, had their proposals adopted by large majorities, sometimes unanimously."¹

The reasons which impelled Bismarck and other Prussian ministers to seek entry into the low tariff system of Western Europe rather than to enter the Austro-Hungarian market by adopting a policy which would have permitted Austria-Hungary to enter the Zollverein, were mainly political. It is really a part of the story of German-Austrian relations and is dealt with in the next chapter. It may be said here that Bismarck was at this time under the influence of the free trader, Delbrück, and was interested in gaining admission to French markets on a basis of equality with Belgium and Britain.

He later stated that he had hoped the treaty would retain, and believed that in fact it had retained, the good-will of France in the Danish War and in the Austrian War up to the Battle of Sadowa.²

War of 1870-71: Its Effects on French Policy

In discussing the political relations of France and Germany, we begin with the Franco-Prussian War. The immediate origins of this conflict are now pretty well known and not much in dispute.³

Napoleon III's desire to maintain the relative power and prestige of France, his desire to gain the left bank of the Rhine for France, his determination to maintain the disunity of Germany (or, as the French put it, the independence of the smaller German states)--these were the underlying factors. The candidature of Prince Leopold of Hohenzollern-Sigmaringen for the throne of Spain, the French demand that he withdraw, his withdrawal, the further French demand that the King of Prussia guarantee that for

decided for immediate conclusion of the treaty on political grounds and had let the French Government know it."

¹Zimmermann, p. 30.

²See his speech before the Reichstag, February 21, 1879.

³See especially: France, Ministère des Affaires Etrangères, Les Origines Diplomatiques de la Guerre de 1870 (Paris, 1872 et seq.); Robert Howard Lord, The Origins of the War of 1870 (Cambridge: Harvard University Press, 1924).

the future he should not be permitted to "revenir sur sa détermination," King William's refusal to give his guarantee, Bismarck's publication of this refusal in a sharp note, knowing that it would be likely to lead to war but feeling that France would oppose the unification of Germany by force in any case, and feeling that the chances of a successful war were as good at the moment as they were ever likely to be--these were the immediate origins. It is to be noted that neither tariff friction nor any other economic factor had anything to do with it. Tariff relations under the treaty of 1862-65 had been satisfactory on the whole.

To get an insight into the bitter feelings between the two peoples, however, it is necessary to say a few words in explanation of the French attitude towards this war.

To an outsider, after the passing of sixty years, it seems monstrous for a nation to start a war on such a pretext as the "insult" contained in the Ems Dispatch. The Germans, of course, thought, and think, that it was merely a pretext. The evidence assembled by Oncken and Haller indicates that Napoleon III was pursuing the ancient French aim of securing the left bank of the Rhine, and certainly shows that he was determined to prevent the unification of Germany.¹

Even the French historian, Pinon, raises the question as to why Napoleon III's foreign minister, Gramont, after the news of the withdrawal of the Hohenzollern candidature for the throne of Spain, demanded not only the king's formal approval but the assurance for the future that Prince Leopold would not be permitted to change his mind.²

In brief, the whole trouble was that the people of France had not adjusted their ways of thinking to the changed situation brought about by the relative decline of her military power and the growing sentiment of nationalism in Germany.

¹Hermann Oncken, Napoleon III and the Rhine, trans. E. H. Zeydel (New York: Knopf, 1928); Johannes Haller, Tausend Jahre deutsch-französischer Beziehungen (Stuttgart: Cotta, 1930); E. Malcolm Carroll, French Public Opinion and Foreign Affairs (New York: Century Co., 1931), chaps. II, v, vi.

²René Pinon, Histoire Diplomatique, 1515-1928, Vol. IX of Histoire de la Nation Française, ed. G. Hanotaux (Paris: Plon, 1929), p. 531.

If the position previously occupied by France in Europe explains the French attitude to the war and to the peace, this same French attitude explains Franco-German relations from then until 1919.¹

People whose memories do not go beyond the episodes of the twentieth century find it easy to think of France as a peace-loving nation whose armaments and alliances were necessitated by the ever-present danger of a German attack, as proven by the various threatening gestures coming from that direction. To understand the actual situation it is necessary to remember that France never concealed her intention to regain Alsace-Lorraine. Loyalty to the idea of regaining the lost provinces was the accepted test of patriotism. No government during the whole period was willing to accept the loss of the provinces as definitive, and no government which had been willing to do so would have been able to withstand the popular resentment which such a stand would have aroused.²

Article 11 of the Treaty of Frankfort

The tariff relations of France and Germany 1871-1914 were governed by Article 11 of the Treaty of Frankfort, which provided "Le Gouvernement Allemand et le Gouvernement Francais prendront pour base de leurs relations commerciales le régime du traitement réciproque sur le pied de la nation la plus favorisée.

"Seront exceptées de la règle susdite les faveurs qu'une des parties a accordées ou accordera a des états autres que ceux qui suivent: l'Angleterre, la Belge, les Pays-Bas, la Suisse, l'Autriche, la Russie."

Trade relations had not been mentioned in the preliminaries of peace signed at Versailles, February 26, 1871; consequently, they formed a subject for settlement at what were meant to be the final negotiations at Brussels.

¹Ibid., p. 545: "The Germans accuse the French of disturbing the peace with their chauvinism; it was the wrong done by them to France and her provinces that created in Europe a state of trouble and violence."

²Frederick L. Schuman, War and Diplomacy in the French Republic (New York: McGraw-Hill Book Co., 1931), pp. 131 ff.; Paul Rühlmann, Die Französische Schule und der Weltkrieg (Leipzig: Quelle, 1918); J. Kuhn, Nationalismus im Leben der Dritten Republik (Berlin: Paetel, 1920); Hayes, France, a Nation of Patriots (New York: Columbia University Press, 1929). See pp. 343-400 for a digest of French school histories.

On April 27, von Arnim reported to Bismarck that the French would not renew the trade treaty, ". . . the placing of Germany on an equal footing with the most favored nation is absolutely rejected. . . ."¹ Bismarck had wanted not only to renew the treaty 1862-65, but to extend it for ten years from the conclusion of peace.² Bismarck replied to von Arnim that he would not insist on its being extended beyond the time that the treaties with England, Austria, and Switzerland remained in force, as this would be a limitation on the sovereign law-making powers of France. "But the assurance of most favored nation treatment is essential."³

As these Brussels negotiations failed to reach a conclusion, the trade questions came up again at Frankfort, where the final treaty of peace was concluded. The French delegates had come instructed to retain their freedom of action on the trade question, hence there was serious if not lengthy controversy. Zimmermann, our best authority on German trade policy, states that if the views of German business and industry had been accepted, France would have been forced to grant great tariff advantages for a long period, but that Bismarck was impressed by Pouyer-Quertier's argument as to need of revenue, and did not want to impose conditions that would sharpen the French lust for revenge.⁴ However, Bismarck was determined that France should not be at liberty to commence a tariff war, declaring that he preferred a war with cannons. Pouyer-Quertier yielded only before the certainty of a rupture.⁵ The agreement as it stands in the treaty was suggested by the French representative, Pouyer-Quertier, and later defended by Favre as a satisfactory arrangement.⁶

¹Germany, Die Grosse Politik der Europäischen Kabinette (40 vols.; Berlin, 1922-27), I, 19. (Henceforth cited as G. P.)

²A. Oncken, "Art. 11 du Traité de Francfort," Revue d'Economie Politique (1891), pp. 585-88.

³G. P., I, 20.

⁴Zimmermann, p. 66

⁵Jules Favre, Le Gouvernement de la Défense Nationale (Paris, 1875), p. 374.

⁶Zimmermann, pp. 67-68, says that Bismarck at one time favored omission of trade matters from the treaty and thought of complete exclusion of French goods, but that this met the keen opposition of the Prussian ministers, especially Delbrück. Favre, loc. cit.: "I could not feel much chagrin at this. I considered and still consider it the most advantageous for developing our production and exchange."

The origin of the second paragraph in the article, that restricting the operation of the clause to favors granted the six specified countries, is not clear. Brodnitz states that in the final arrangement the paragraph "slipped in."¹ Bismarck, in explaining the treaty to the Reichstag, May 12, 1871, said the paragraph was made as a concession to France in order not to make it impossible for France to make treaties with individual states such as Morocco or Tunis, which were less important because of their small size or small volume of trade. The most probable explanation is that Favre had in mind the creation of a Latin Zollverein, or at least some arrangement for reciprocal and exclusive lowering of duties between the Latin countries, and that this explains the omission of Italy, Portugal, and Spain.²

However that may be, the clause remained a dead letter because no Latin Zollverein ever came into existence. French trade treaties with Belgium, Switzerland, and Great Britain regularly had the unconditional most-favored-nation clause; hence, any favors granted to Italy or Spain by France would be extended automatically to Belgium and the others and therefore to Germany also.

It will be seen that there was an element of paradox in the fact that a compromise between two negotiators, one demanding definite stipulations to run for only ten years, the other demanding freedom of action, should have involved a perpetual obligation.

Tariff Policy and Foreign Policy-- Germany 1871-1914

The tariff relations between Germany and France being fixed by Article 11 of the Treaty of Frankfurt, and their political relations by the loss of Alsace-Lorraine (as well as the Rhine frontier for which so many had hoped), the reciprocal interaction of tariff policy and foreign policy during the period was indirect. It was none the less present and powerful. In the case of Germany, it might be said that her whole foreign policy and her policy as regards land armaments, was determined by the constant menace of

¹George Brodnitz, Bismarck's Nationaloconomie (Berlin, 1901), p. 24.

²Paul Muller, "Art. 11 du Traité de Francfort," Journal des Economistes, XLIII (December, 1888), 336. Muller states that Favre intervened only in the wording of this paragraph.

French revanche. Bismarck's alliance policy, which will be discussed in tracing the relations of Germany with each of the countries with which she was allied, was devised to prevent France from securing sufficient allies to make the prospect of a successful war appear good, and German armament policy was aimed to keep the German army superior to that of France.

After Bismarck's fall, French diplomacy succeeded in bringing about the Franco-Russian alliance and from 1891 on Germany had to face the possibility of a war on two fronts. Russian opposition to Germany was, however, more the product of her opposition to Austria-Hungary than of any Russo-German quarrel, whereas the hostility of France was definitely rooted in Germany's possession of Alsace-Lorraine.

German tariff policy was directed towards two aims not always consistent, namely, the general economic development of the Empire, and the maintenance of sufficient wheat-growing to make it possible for Germany to dispense with foreign wheat in case of war. Connected with the latter was the feeling of the desirability of strengthening the farm laborer and peasant classes as a bulwark against revolution and because these classes provided the best soldiers. These were the avowed aims of the statesmen. The manner in which the concrete proposals based on these principles were enacted into law is a good example of the working out of economic forces in policy formation.¹ In Germany, after the founding of the Empire, Bismarck was able to secure the acceptance of his views, in the main, because of circumstances to be explained later; therefore, I shall attack the problem as one of the motivation of Bismarck, and how he secured the acceptance of his views, rather than the more complicated method of showing independently the motivation of Bismarck and of the Reichstag parties, and then estimating the proportional effects of these on the final policy.

In Bismarck, we have one of those men of action who proclaim themselves practical men and not the slaves of any theoretical system. Therefore, it is not surprising to find him accepting almost every fallacy found in current mercantilism--as well as some choice specimens that seem to be his own.²

¹Walter Lotz, "Die Ideen der Deutschen Handelspolitik (1860-1890)," Schriften des Vereins für Socialpolitik, Vol. L. (Henceforth cited as Schriften.)

²Some of the arguments, of course, involved no error other than that of assuming the national interest to be identical with

His economic views may be profitably considered at unusual length, taking him as an example of the manner in which an ordinary mind works in attempting to deal with problems of trade theory, and as an interesting case of change of view resulting from changed economic conditions in which the motivation was not personal interest but merely that of the class from which he came and with which he identified the national interest. Bismarck was at first a free trader, as were the Prussian Agrarians at this time. The free trade views of the Agrarians sprang from the simple fact that at that time Prussia was a great exporter of grain and an importer of machinery. Nevertheless, as is usual in such cases, the argument was couched in the terms of national interest, Adam Smith was the accepted economist, and laissez-faire the accepted philosophy. Bismarck, while accepting the free trade program, never accepted the philosophy; for him, free trade and protection were policies to be followed according to circumstances, and he often expressed his contempt for theorists and doctrinaires. The following quotations showing his views are taken from Brodnitz¹ and Dawson:²

Free trade logic. "Protection serves to enrich the manufacturers. Manufacturers enrich some but produce the mass of proletarians, of ill-nourished workers, through the uncertainty of their existence a danger to the state. Our customs legislation should be developed in the direction of the ideal of pure financial duties."

Protectionist logic. (1881) "At first I had not time to deal with internal affairs, afterwards when I was compelled to look into matters for myself I found the results did not support the free trade theory."

(1879) Grain duties were first defended as "putting home and foreign producers on as equal a basis as possible by subjecting foreign producers to a tax which would counterbalance the Prussian land tax," on the assumption that the foreigner pays the duty, and that the land tax burdens the home producer!

(1879) "The peasant who produces no more than enough rye for his own food is benefited by the duty, because he does not

the interests of the land owners; but many of them contain worse errors.

¹Brodnitz, pp. 18, 57-69.

²William Harbutt Dawson, Protection in Germany (London, 1904), pp. 46 ff.

eat his rye 'in natura' but sells it to the miller and buys bread." And he combatted most emphatically the argument that bread prices bear any demonstrable relation to grain prices!

(1885) He also used the home market argument in the opposite connection to that usual here. "If the peasant has money, everyone has it," i.e., industrial prosperity depends on farmer buying power (part of the usual mercantilistic inability to see that creating a home market will destroy a precisely equal foreign market).

(1881) "The foreigner pays the duty; if the burden were borne by the home consumer, the foreign producers would not worry about our tariffs." The inability to see the probability that both would suffer is traceable to the same ignorance of trade theory that cannot understand that both countries normally gain from trade.

(1881) "Assume a simultaneous crop failure in America and Russia, and crops are more variable in those regions than here; then, if our agriculture had declined as England's has, famine would strike us. And then think of the case of war-- what shall become of us then if we do not cover our own grain needs?"

(1882) "It is lack of industry, of protection, together with the land tax, that explains the fact that our thinnest population areas have the highest ratio of emigration."

(1885) [The emigration having continued.] "Emigration is the best index of prosperity, the fact that it was higher in 1880-81 is the best proof that protection has had its effects on industry and that many more people had money for transportation and land purchase abroad."

It seems to me that these changing views of Bismarck's are a good example of the working of economic factors. It is for the psychologists to tell us why people usually think (or rather, feel without stopping to think), that the interests of their class are the interests of the nation, but it regularly happens. It also happens regularly that people become convinced that if their class is prosperous, all others will be too. Bismarck's other arguments, that the rural population are the best soldiers and are less inclined to revolution, further show his partiality. The famine and war arguments show the high place of the military ideal in his thinking.

The motives, other than those springing from his connection with the landed interests, that moved Bismarck to protection were chiefly fiscal; i.e., he realized that indirect taxation is less unpopular than direct, and wished to get imperial revenues that would make contributions from the states unnecessary.

The circumstances that enabled Bismarck to carry his essentially agrarian program in a country fast becoming a great industrial nation were chiefly the following:

1. The Bundesrath was chosen by the rulers of the individual states, and had a more agrarian and military character than the Reichstag.
2. The Industrial Revolution in Germany was hardly complete; weaving was still a household industry. There was no great industry like the English cotton trade with interests clearly in favor of free trade. The cotton spinners and the iron and steel people feared English competition. Thus the powerful and vocal parts of industry favored protection.
3. The bulk of the industrial workers which in England gave numerical strength to the Liberal Party, in Germany were Socialists, and the free trade-protection issue was regarded as of too little importance to merit diverting any energy from their fight against Capitalism.
4. Bismarck's personal influence, especially after the Berlin Congress, outweighed the opinions of mere professors.
5. The influence of all those who favored the military expenditures were enlisted on the side of agriculture, as it was the agricultural interests which most strongly supported the military system.
6. The Class System of voting in Prussia greatly favored the agrarians.

Since Bismarck was thus able to get his views accepted, it is important to remember that his paramount objective was the creation of a powerful Germany in which Prussia would be supreme. Hence it is unreasonable on a priori grounds to expect to find him pursuing policies at the behest of economic groups in Germany unless those policies coincided with his major objective.

Furthermore, since Bismarck held the view that the economic interests of states are in inevitable and irreconcilable conflict, grounded in immutable geographic, geologic, and climatic facts,

and that therefore government policy could do nothing to assist another country without injuring itself to an equal extent, he tried to maintain a distinction between economic and political questions in foreign relations, and tried to prevent the economic questions from affecting political relationships. He regarded alliances as essentially fleeting, and hence would give no support to a policy aiming to assist economically his military allies,-- who might be his enemies before the results of economic policies would have time to help in a military way. Hence it is not surprising to find tariff policy subordinated to general political considerations, and to find the reactions of his tariff policy on foreign policy confined to a few incidents.

One such incident added to French hatred of Germany. As part of the French effort to break away from the limitations in their freedom involved in the Napoleonic commercial treaties, the Thiers government in 1872 requested Austria-Hungary to release France from the treaty of 1866 which accorded national treatment to Austrian ships. It was thought that owing to the insignificant amount of Austro-Hungarian shipping, Austria would release France from this obligation which by Article 11 of the Treaty of Frankfort really enured to the benefit of Germany.

Austria, however, refused, and when a dispatch from Bismarck to Austria was published in which Bismarck outlined his reasons against the granting of the French request, the French naturally assumed that Bismarck had been the real cause of the Austrian refusal. This version of the case was accepted in France as late as 1892.¹ As a matter of fact, Bismarck's telegram was really an appreciation of the Austrian refusal, as the latter had been sent March 28, 1872, and Bismarck's message was sent almost a month later, April 26.²

Another incident occurred in connection with the iron industry. It will be remembered that the movement toward free trade in Germany culminated in 1876 in the decision to put iron on the free list from January, 1877. At this time, France was

¹Leon Amé, Etude sur les tarifs de douanes et sur les traités de commerce (Paris: Imprimerie Nationale, 1876), II, 318; Alexander von Brandt, Beiträge zur Geschichte der Französischen Handelspolitik von Colbert bis zur Gegenwart (Leipzig: Duncker, 1896), p. 145.

²Amé, II, 318 ff.; von Brandt, p. 145. This does not prove that Bismarck had not previously urged the Austrians to refuse,

exporting considerable quantities of iron under the so-called acquits-à-caution system. Under this system an exporter of iron obtained government certificates showing the amount exported. These certificates were accepted by the French government in payment of duties on imports of the raw materials of iron manufacture. The certificates were transferable, and hence it frequently happened that French manufacturers who used no imported raw materials found it profitable to export iron because of the value of the acquits-à-caution. The Germans claimed that this was an export bounty, and that it amounted to twenty francs a ton. The French claimed that it was merely a system of drawbacks, and that the particular provisions under which the system worked were to be explained on grounds of administrative expediency, to meet the practical impossibility of maintaining the identity of imported raw materials through all the processes of manufacture. The French argued that the rates at which the certificates were accepted in payment of duties were fixed at such a level that each merely covered the duty on the raw materials necessary to produce the amount of iron it covered, and that therefore the system involved no export bounty, since even those manufacturers who used no imported raw materials found the prices of the native raw materials raised by the amount of the duty.

The German government disputed this and in March, 1876, Bismarck told the French government that a continuation of the system beyond January 1, 1877, would force Germany to put a countervailing duty on French iron.¹

This must be put down as diplomatic bluff, because, even apart from the disputed question as to whether the French system in fact constituted a bounty, the generally accepted interpretation of the most-favored-nation clause at this time was that export bounties did not justify exceptional treatment. It was not until the turn of the century that any degree of support could be found for the proposition that a bounty justified exceptional treatment.² Bismarck, as mentioned above, was anxious to avoid a tariff war

but it does leave the French without any evidence to support their contention that Bismarck had instigated the Austrian refusal.

¹Zimmermann, p. 182.

²Viner, Dumping, A Problem in International Trade (Chicago: University of Chicago Press, 1923), chap. xv.

with France, and would certainly not have given France an excuse to commence one. The German government, however, introduced a proposal for a general countervailing duty against all bounty-fed products. This proposal was twice rejected by the Reichstag, December 7, 1876, and April 6, 1877. The speakers who opposed it did so because of its protectionist tendency, and did not raise the question of its compatibility with most-favored-nation treaties.

No doubt there are documents in both the French and German archives relating to this incident but none of those published in either Die Grosse Politik or Les Documents Diplomatiques Français contains a single reference to it. This fact itself shows that competent historians in both countries consider the matter of slight importance for Franco-German political relations.

With the retirement of Bismarck we enter what is often called "the new course," meaning the course of events in which Kaiser Wilhelm II was an important influence. This influence was directed first towards winning the friendship of France, and second towards superseding Britain as the leading mercantile and naval power. While Wilhelm II was decidedly interested in the economic welfare of Germany, he usually left the details of economic policy to his chancellors. Hence we can continue to deal with the problem of German tariff policy as a problem in the motivation of the chancellors. Bismarck's successor, Count Caprivi, a man possessing much more economic insight than the Iron Chancellor, undertook the negotiation of a new set of trade treaties. He realized that Germany would attain a higher standard of well-being by becoming more industrialized, and hence he was prepared to make considerable reductions in the duties on grain in order to gain the concessions from other countries on the manufactured goods that Germany exported. He felt that purely economic considerations would have dictated greater reductions than those actually effected, but justified a certain amount of agricultural protection on military grounds.¹

Count Caprivi did not share Bismarck's fallacious notion that the economic interests of states were in conflict, nor did he regard alliances as essentially personal and transitory. Hence he did not attempt to maintain Bismarck's sharp distinction between

¹Lotz, "Die Handelspolitik des Deutschen Reiches unter Caprivi und Hohenlohe," Schriften des Vereins für Socialpolitik, XCI, 80.

the economic and political aspects of foreign relations. The desire to strengthen the other members of the Triple Alliance must therefore be considered as one of the forces behind the treaty negotiations. The fact that influential circles in Germany at the time held the same views on the subject made the ratification of the treaties easier.¹

A final and important factor impelling Caprivi to conclude trade treaties at this particular time was the situation in France. That country had granted numerous concessions to other countries, and Germany enjoyed these concessions by virtue of the most-favored-nation clause in the Treaty of Frankfort. The protectionists had gained the upper hand in France, and Count Caprivi realized that when the French treaties expired in 1892, the rates of the French tariff would be materially raised. He feared (and, as it turned out, rightly), that the expiration of these treaties would have a tendency to result in higher tariffs in other countries, and that Germany would lose markets in these other countries, markets then secured by concessions granted to France and enjoyed by Germany under the most-favored-nation treaties. It was to safeguard these latter markets that Caprivi negotiated and finally secured ratification of the system of treaties that bears his name. These treaties had certain common features. They all provided for reciprocal lowering of duties, all contained the unconditional most-favored-nation clause and ran for fairly long periods, ten years being the commonest length. The treaties first negotiated were with Germany's allies, Austria-Hungary and Italy, and with Switzerland. The system was completed by the treaties concluded with Rumania and Russia in 1894.

Count Caprivi did not enjoy the immense personal prestige of Bismarck, and hence we must explain how he succeeded in getting the Reichstag to accept a system which not only reversed the trend of previous policy by lowering certain duties, but also represented a change in method involving the fixing of tariff rates on a wide range of articles for long periods by treaty, in contrast with Bismarck's so-called autonomous policy.

Several circumstances combined to enable Caprivi to get the treaties ratified by the Reichstag. In the first place, the elections of 1890 had been held in a fairly tranquil atmosphere

¹Dawson, pp. 114-15.

without any war scares or other events that tend to stir up chauvinistic feeling and hence the representation of the liberal bourgeoisie had increased. Secondly, the threat to all European states contained in the McKinley Tariff impelled them towards closer tariff relations with one another. Finally, the conviction that for military reasons closer trade connections with Austria-Hungary and Italy were necessary, caused many protectionist deputies to support the treaties.¹ Subsequent events showed that this was a somewhat accidental combination of circumstances and did not represent a reversal of sentiment on the part of the politically dominant groups in the country as a whole. The government, having met the wishes of the Liberals on the tariff issue, hoped to secure their support for its military appropriations. Failing in this, the government dissolved the Reichstag, and in the 1893 elections the protectionist forces were strengthened. The treaties with Rumania and Serbia were accepted by narrow majorities and that with Russia only after a serious tariff war. The opposition of the protectionist agrarians forced the retirement of Caprivi in 1894.

Since the treaties made under Caprivi remained in force through the chancellorship of Hohenlohe, there is no need to enter into a discussion of the trade policy pursued by the latter. However, the protectionists increased in strength, and at the beginning of the century a committee under the Department of the Interior prepared a draft tariff for enactment on the expiry of the treaties. This committee was composed entirely of representatives of the protected interests, and Gustav Schmoller said that its proposals looked like the work of the kartells rather than of the government. In the Reichstag, the Social Democrats proposed changes in over one thousand items, and to overcome their opposition, the rules of the House were suspended and the law adopted as a unit. From this time forward, there was a new element in the situation, namely, minimum grain rates established by the Reichstag, below which the government was not to go in making treaties. Of course, the Reichstag could not limit the treaty-making power of the government, but since legislative ratification of trade treaties was required, these minimum rates served notice on the government that ratification of treaties which involved lower

¹Joseph Bergfried Esslen, Die Politik des Auswärtigen Handels (Stuttgart: Enke, 1925), pp. 242-43.

rates would be difficult.

Prince von Bülow, who was chancellor at the expiration of the Caprivi treaties, was an agrarian with a viewpoint quite similar to Bismarck's. Thus,

"I introduced the Tariff Law of 1902 with the conviction that agriculture must be maintained from the economic, but above all from the national and social point of view."

"Economic policy must keep in view the possibility of war and must, therefore, be agrarian in the best sense of the word."¹

To conclude, we may say that although German tariff policy from 1871 to 1914 was influenced at various points by consideration of foreign policy it was not affected by, nor did it affect, Franco-German political relations.

The General Course of French Tariff Policy, 1871-1914

The story of French tariff policy in the sixties is the story of how Napoleon III broke with the old prohibitive system and established a relatively liberal regime in its place. Since the decisive step was taken in the Cobden Treaty of 1860 with Britain it is dealt with in the chapter on Anglo-French relations. Franco-German trade relations during the sixties have already been discussed.

During the period from 1871 to 1914 the French tariff followed a generally upward trend, mainly for the reasons outlined in the introduction. Napoleon III had brought about his tariff reform by the treaty method largely because he knew that the dominant sentiment in the country and in the Corps Legislatif was so definitely protectionist that it would have been impossible to achieve the reform by legislation. It is not surprising, therefore, that the popularly elected National Assembly was not strongly committed to the Napoleonic trade policy. Thiers, Premier from 1871 to 1873 was an out-and-out protectionist and on one occasion resigned because the Assembly would not go as far as he wished in the matter of raising duties. Finding his field of action limited by the treaties with Belgium and Britain, Thiers entered into

¹Prince von Bülow, Imperial Germany (London, 1916), pp. 253, 267.

negotiations with these powers with a view to securing modifications in the treaties which would permit higher duties.¹ Failing in these negotiations he denounced the treaties in March, 1872. His fall from power in 1873 ended the first attempt to restore a regime of high protection in France.

The election of 1877 returned a majority of Republicans who were nationalists and consequently more likely to be protectionists, and this protectionist tendency grew with each succeeding election.

The new tariff of 1881 was regarded as a victory for free trade merely because the protectionist proposals of the Chamber Commission were rejected in favor of the more moderate proposals of the Ministry. The rates of this tariff were about 24 per cent higher than the rates of the old conventional tariff, and, as they were intended to be lowered in the negotiation of treaties, they must be regarded as moderate.

The tariff of 1881, as indeed most subsequent tariffs of France, was erected mainly in the supposed economic interest of France, or of the economic interest of the politically preponderant classes, with very little consideration of the effects it might produce on foreign relations. It is typical of democratic assemblies that they are indifferent to both the interests and wishes of foreign countries (except in some instances where a close military alliance exists). In the debates on the tariff of 1881 Rouher argued that it was important that the treaties be renewed, and that the government would have an easier task in negotiating, the lower the general tariff was kept. But his advice had little effect.²

It is noteworthy that at the very time, 1881, that the French tariff was being raised (actually if not nominally, by the substitution of specific for ad valorem duties), France was in need of the good-will of other powers in her effort to acquire Tunis. She received the strong (and sufficient) support of Germany, but the French Ambassador in Berlin feared that the French tariff might adversely affect German feeling. Thus, after referring to the "imprudence and blindness" of fortifying the

¹Percy Ashley, Modern Tariff History (New York: Dutton, 1910), pp. 5, 9.

²Auguste Devers, "La Politique Commerciale de la France," Schriften, LI, 168.

eastern frontier at that time, the ambassador added, "Prevent the Minister of Commerce from giving cause for rupture by his unfortunate specific duties."¹

Nevertheless, the Chamber was not yet willing to go as far in ignoring the international repercussions of its actions as was that of 1891-92; this is shown by the fact that it rejected the double tariff system on the ground that it led to isolation. "The system of take it or leave it has shown itself impractical elsewhere as people don't deal when you begin with an ultimatum."²

The new treaties negotiated by the French government at this time (1881-83) were made with the double purpose of securing concessions from the countries concerned, and opposing a barrier to the progress of the protectionist reaction in France.³

It was still the feeling in enlightened circles that free trade was the logical system and the end toward which events were moving; hence, the protectionist reaction was looked upon as a temporary phenomenon which would wane before 1892, the date of expiry of the treaties concluded at this period.

The above situation, in which the Chamber of Deputies showed itself more protectionist than the ministry, has been characteristic of the French situation ever since, and is the best available illustration of the tendency of the average man to accept the arguments of the protectionists, mentioned in the Introduction as an explanation of the return to protectionism in the last half century.

Further illustration of this is brought out by the debates on the next major modification of the French tariff that became law in 1892. In spite of the able exposition of the economics of international trade by Leon Say and others, the majority of the Chamber voted for the protectionist proposals which were defended by arguments involving the crudest fallacies of mercantilism.⁴

¹France, "Commission pour la publication des documents relatifs aux origines de la guerre de 1914-18," Documents Diplomatiques Français, Ser. I, IV, No. 62. (Henceforth cited as D. D. F.)

²Von Brandt, p. 158.

³Hugh Owen Meredith, Protection in France (London: King, 1904), p. 59.

⁴Devers, p.169; Meredith, p. 45.

In the 1881 tariff the government had prevented the agriculturists and industrialists from uniting forces, and so kept the rates lower than they otherwise might have been.¹

Even so, the government agreed not to lower the rates of the general tariff in treaties by more than 24 per cent and to exclude the duties on cereals and cattle from the treaties. During the 80's, the agricultural and industrial protectionists joined forces. The 1885 elections were fought largely on the issue of agricultural protection, and the protectionist success was such that the government took the initiative in proposing increased duties.

There was one feature of the protectionist policy adopted at this time which German writers claim was specifically devised to injure German export trade, namely, the duty of seventy francs per Hl on alcohol (July, 1887) and the increased duty on Spanish wines of high alcoholic content. It was generally believed that these wines contained German alcohol.² However, the alcohol duty was imposed to counter a situation which had arisen in Germany, where, as a result of a new tax on the raw materials, coupled with an export drawback which applied to alcohol made before the imposition of the tax, a virtual export bounty existed.³

It might be noted in passing that this campaign for agricultural protection, an important factor consisted in the typical distribution of land ownership, sharply differentiating the situation from that existing in England. The prevailing form of land tenure, that of peasant proprietors, enlisted the sympathy of large numbers of the population for the farmers who were suffering from the competition of New World products, and prevented the campaign from taking on the aspect of a defense of wealthy and idle landlords, as agricultural protection was usually regarded in England.⁴

Various increases in agricultural duties were made, the manufacturers supporting the agriculturalists. Then in the 1889

¹Meredith, pp. 15-16; Grete Eysoldt, *Der Zolkrieg zwischen Frankreich und der Schweiz, 1893-95* (Stuttgart: Cotta, 1913), p. 8

²Zimmermann, p. 189.

³Devers, p. 179.

⁴Meredith, p. 17.

elections, fought largely on the tariff issue in general, the protectionists won a complete victory.

Tirard, the free trade Minister of Commerce, was succeeded by Jules Roche, a protectionist, but not so extreme in his views as the majority in the Chamber.¹

As usual, there were various factors at work influencing the result of the elections. It must not be forgotten that these elections followed the Boulanger and Schnaebeli incidents, and that the "Ligue des patriotes" had been carrying on a tremendous agitation. In order to enlist business men, the league represented Article 11 of the Treaty of Frankfort as responsible for the depression.²

The election of 1889 marks not only the union of agriculturalists and manufacturers in their drive for protection, but also the end of the period of division in the ranks of the agriculturalists. Previously the French grape growers, who produced in such large measure for export, had been strong free traders, but the ravages of the Phylloxera had so decreased the product of French vineyards that foreign competition made itself felt in France, and so turned the last important free trade group into the protectionist camp.³

The French tariff of 1892 marks the final and complete victory of protection in France. The main lines of French tariff have undergone no change since that time. Some rates have been raised, e.g., in 1902 and 1912, and the general tendency to greater specialization has been manifest, but the tariff policy adopted in 1892 remained to the World War.

The leading features of this tariff are two, namely, the definite victory of protection, both agricultural and industrial, and the substitution of the so-called autonomous or maximum-minimum for the previous treaty or general-conventional system.

This second feature of the tariff of 1892, the change from the general-conventional to the maximum-minimum system, may be attributed to the fact, now recognized as normal, that the legislature, the Senate even more than the Chamber, was more protectionist than the Ministry. The aim of the new system was to create a

¹Devers, p. 185; Meredith, p. 19.

²Carroll, chap. vi.

³Devers, pp. 183-84.

purely legislative tariff, the minimum tariff, and to give the Ministry no liberty in making commercial treaties except that of withholding the privileges of the minimum tariff. The maximum tariff thus corresponded to the old general tariff, and was intended as a weapon rather than as a tariff, its rates to be applied to countries not giving French goods fair treatment. A second aim, reflected in the name "autonomous," was to prevent any restrictions on the legislature's power to change rates. Under the old system, commercial treaties regularly fixed large numbers of rates for definite periods, often ten or twelve years; under the new system, the treaty could merely grant the rates contained in the minimum tariff, which the legislature might change at any time.

The ill-feeling between France and Germany was partly responsible for the introduction of this autonomous tariff system.¹

Subsequent French tariff history need not detain us. The principles established in 1892 continued to govern the legislation. The legislature took an increasing share in framing the tariff. For instance, in the tariff of 1910, the Ministry merely exercised a mildly moderating influence on the proposals of the Chamber, most of which became law, sometimes with increases suggested by the still more protectionist Senate.²

After the tariff wars of the 80's and 90's, most countries seem to have become reconciled to the protective system and though increases in tariffs were regretted abroad, they came to be expected, and gave rise to little feeling, and hence affected foreign relations very little. Three points in Franco-German relations, each insignificant, about exhaust the situation on this score. First, Germany and Belgium were the only two countries to protest the French tariff of 1910.³ Second, the necessity of being independent of foreign food supplies in the event of war was urged in support of agricultural protection.⁴ Third, the French continued to cherish resentment at Article 11 of the Treaty of Frankfurt as imposing a limitation on their sovereign rights. It will be remembered that Bismarck defended himself against the pleas of

¹Theodor E. Gregory, Tariffs, A Study in Methods (London: Griffen, 1921), p. 465.

²Ashley, pp. 347, 351-52.

³Ibid., p. 354.

⁴Devers, p. 191.

German exporters who desired definite tariff concessions from France, by arguing that it was undesirable to impose by force restrictions on the law-making body of a sovereign state. Hence, he was satisfied with most-favored-nation treatment.

French writers later argued that Article 11, in spite of Bismarck's statement, was really a condition imposed by force, because it was in perpetuity and only half-civilized states made such commercial treaties.¹ Other writers point out, however, that the suggestion of mere most-favored-nation treatment came from Pouyer-Quertier, and that if Bismarck had had his way the French would have granted the concessions of the former treaty, but only until 1881, after which France would have been free to make such arrangements as she could.² The great French historian and statesman, Hanotaux, himself Foreign Minister from 1894 to 1898, states the conclusion with which most impartial students will agree: "Article 11 has removed contention and prevented the friction which each lapse of a treaty could not have failed to produce."³

To sum up, the movement towards increasing protection in France had two roots: The economic interests of the politically dominant classes and nationalistic sentiment favoring the development of a self-sufficient economy as a preparation for war. If we may judge from the debates in the French Parliament, the former was the more important and tariff legislation was enacted with little consideration of its effects on international relations. Although French political hostility toward Germany affected tariff legislation, the nature of the provisions of Article 11 of the Treaty of Frankfort prevented this hostility from manifesting itself in any tariff war.

Franco-German Political Relations

Turning now to the political relations of the two countries, we find that tariff questions had little effect.

It would be going beyond my sphere to explain all the factors involved in each of the various incidents that disturbed

¹A. Oncken, pp. 592-93.

²Muller, loc. cit.

³Gabriel Hanotaux, Contemporary France, trans. John C. Tarver (New York: Putnam, 1903), I, 294.

Franco-German relations, in order to show that tariff factors were inoperative. It will suffice to treat the various episodes in such outlines as will carry on the main thread of the narrative and discuss more fully those wherein tariff questions might have had some place. We have the following incidents:

1. The case of the French bishops, 1873.
2. The "preventive war" scare of 1875.
3. The period of diminishing tension, 1878-1885.
4. The League of patriots--Boulangier scare of 1887-1889, including the Schnaebele incident.
5. Friendly advances by William II, 1889-1890.
6. The Deroulede protest meeting on the occasion of the visit of the Empress to St. Cloud and Versailles, 1891.
7. Détente due to French-English colonial rivalry, 1894-1900. French ships visited at Kiel. Joint cooperation with Russia with regard to Port Arthur. Suggested cooperation against England in the Boer War.
8. First Morocco crisis, 1904-1905.
9. Casablanca desertions from the French Foreign Legion, 1908.
10. Agreement for economic cooperation in Morocco, 1909.
11. Agadir and the settlement of the Morocco question, 1911.
12. World War, 1914.

The only cases where the tariff difficulties may be said to have had any effect were the following: In the early years, 1875-1878, when the French system of acquits-à-caution operated as an export bounty on French iron at a time when Germany was in the process of putting iron on the free list. (See preceding section.) In any case Franco-German relations were under the influence of more powerful forces than tariff questions, as is proven by the fact that France did not change her tariff policy, and yet her relations with Germany improved immediately after the fall of McMahon and the coming to power of the Republicans.¹

The dominating cause of tension at this period was the distrust Bismarck felt towards the monarchist-clerical majority in the National Assembly.

There was, of course, the more obvious factor of genuine alarm caused by the reorganization of the French army, and the

¹Robert H. Wienefeld, Franco-German Relations, 1878-1885 (Baltimore: Johns Hopkins, 1929), p. 43.

bellicose attitude of many leading statesmen, especially Gambetta, who was the real leader of the Republicans from the fall of Thiers to the end of his own ministry. This gave cause for the "preventive war" scare of 1875.

The relaxing tension of the period 1878-85 was due to two factors: First, Bismarck's feeling that the various ministries under President Grévy were genuinely desirous of peace; and second, his feeling that a Republican government was a weak government and therefore one that he wanted to support by giving aid to all their undertakings, such as colonial exploits, which did not injure Germany and might direct the energies and aims of France into other channels.¹

The end of this détente also had nothing to do with tariff friction. The Ligue des Patriotes, formed to fight Ferry for his rejection of their proposals to teach chauvinism in the schools, had secured a wide following. Ferry was forced to defend himself against the charge of disloyalty, which regularly means disloyalty to the lost provinces, because he had spoken of the unwisdom of standing hypnotized by the "hole in the Vosges." Nothing but this agitation would explain the fury with which he was driven from office and the hostility of the crowds that thronged the streets shouting, "à bas le Prussien."² This agitation prepared public opinion for resentment and animosity on the occasion of the Schnaebele arrest.

The attempts of William II to win the friendship of France, and the détente during the presence of Hanotaux, the Anglophobe, at the Quai d'Orsay (in which the episode concerning the Empress'

¹G. P., III, 393-95: "A European necessity to keep Waddington at the helm." It is interesting to note that Jules Ferry (Premier, 1880-81 and 1883-85), whose colonial acquisitions Bismarck consistently favored and who was hurled from power amid cries of "À bas le Prussien!" was one of the most stalwart advocates of protection that France has ever had. Furthermore, his defense of his colonial policy envisaged the system of tariff preferences which remained characteristic of French colonial tariff policy. France needed colonies, he urged, as markets for French products and as fields for French capital. See Alfred Rambaud, Jules Ferry (Paris: Plon, 1903).

²G. P., VI, 129; Haller. The reverse in Tonkin that was the occasion of Ferry's fall is referred to by Hippeau as "un échec sans importance." Edmond Hippeau, Histoire Diplomatique de la Troisième République, 1870-89 (Paris: Dentu, 1889), 467. The total casualties were 200. See also Carroll, pp. 97 ff.

visit to St. Cloud and Versailles was only a brief interruption but enough to show how the memory of 1871 still burned), coincided with the period of the French adoption of the high autonomous tariff of 1892.

The second case in which tariff considerations might be claimed to have influenced the situation was that of Morocco, because the colonial tariff policy of France was notoriously aimed to create a favored market for French products,--in fact, France pursued throughout the period the old colonial policy of the eighteenth and previous centuries.¹ As a matter of fact, tariff considerations played practically no part in German opposition to French action in Morocco.² At the Madrid Conference on Morocco, 1880, the German government informed St. Vallier that the German delegate would be guided by the conduct of his (French) colleague.³ Bismarck had given strong expression of his hostility towards any acquisition in Morocco.⁴ Even Bülow told the Reichstag that Germany had nothing to fear from the Anglo-French settlement, rather the reverse, as German interests in Morocco were purely economic, and these would gain from the reforms and the resulting improvement in law and order.

Wolff thinks the change in Bülow's attitude was due to his appreciation of the fact that more was involved in the Anglo-French accords than the settlement of a few disputed questions. Whatever the motive, it is clear that Bülow handled this episode with unapproachable ineptitude.⁵ Wolff's main thesis is that Bülow's action changed Germany's position from one of general friendship, even

¹Stephen H. Roberts, History of French Colonial Policy (London: King, 1929); A. Girault, Colonial Tariff Policy of France (Paris, 1916); Robert Ermels, Frankreichs Koloniale Handelspolitik (Berlin, 1910).

²Eugene N. Anderson, The First Morocco Crisis (Chicago: University of Chicago Press, 1930); Theodore Wolff, Das Vorspiel (Munich, 1924), Vol. I, chap. iv.

³Wienefeld, p. 71.

⁴D. D. F., Ser. I, II, No. 362: ". . . possession onereuse d'une terre ingrate."

⁵Haller, pp. 200, 208. "The handling of the first Morocco crisis was such a chain of errors that no one can defend it: . . . put an end to all friendships." George P. Gooch, Franco-German Relations, 1871-1914 (London: Longmans, 1923), p. 44: (re Kaiser's visit to Tangier) "a colossal blunder."

with France, to its very opposite.¹ It is also clear that Bülow must bear the entire responsibility for German policy at this time.²

In any case, this episode marks another turning point in French feeling toward Germany, which had been growing more friendly of late. French public opinion, which accepted the fall of Delcassé with approval, in part because Delcassé had expressed approval of the harsh methods of the Russian autocracy on Bloody Sunday, supported Rouvier in all subsequent phases of the crisis, and ended by accepting with enthusiasm the alliance with the Russian autocracy.

In any case, as Anderson points out, trade and tariff questions gave little difficulty either before or during the Algeciras conference.³ Rouvier's instructions to Révoil, the French representative at Algeciras, said that the thirty-year limitation on commercial freedom might be increased; they continued, "In general, it is in the economic program that we are disposed to accord the most complete satisfaction, but avoid definite acquiescence in these solutions until you are certain that the delegates do not aim to adopt unacceptable solutions relative to the organization of police."⁴

Even the German resolutions, which the conference accepted with only verbal changes, on the question of commercial freedom really aimed to secure equality of national treatment in respect to services and public works. Equality of tariff treatment was never questioned.⁵

¹Wolff, pp. 172 ff. See also pp. 126-29, 132, 183, where quotations from Briand, Viviani, Sembat, and Jaurès, and the tremendous applause given the latter, show how the friendly feeling of France changed as a result of Bülow's actions.

²Gooch, p. 42; Anderson, p. 289, quoting the Kaiser's letter to Bülow; Wolff, I, 174 ff., quoting Rouvier's argument that his whole past proved that he wanted rapprochement, but that Germany must aid by making his stand easier, in France. On this the Kaiser noted, "Ja, gern gut, soll geschehen."

³Anderson, pp. 350-51; France, "Affaires Etrangères," Documents Diplomatiques, Affaires du Maroc (1906), II, 264 ff.

⁴Anderson, p. 334.

⁵France, Affaires Etrangères, Documents Diplomatiques, Affaires du Maroc; La Conférence d'Algéciras, p. 230.

In the summer of 1908, both Fichon and Schoen declared themselves satisfied with the situation in Morocco. Difficulties threatened at the time of the overthrow of Abd-el-Aziz by Moulay-Hafid, but after the general recognition of the latter, matters became quiet again. The incident of the Casablanca desertions followed in the autumn, and again the peace was threatened. As soon as the agreement was signed in regard to the deserters, Germany reopened negotiations which aimed at finding in Morocco the grounds for a general understanding. Accord in Morocco was reached by negotiations lasting only one month.¹

In this agreement the principles of Algéiras were reaffirmed (i.e., independence of the sultan, integrity of his dominions, economic equality), but Germany declared that she had no political interests in the country, while France agreed to encourage Franco-German economic cooperation. This agreement was interpreted differently in the two countries; France, emphasizing the first or political aspect, thought it meant the end of German opposition to French policy,--the wording of the agreement should not be insisted upon, as it is customary to state intent to respect the independence of states in agreements which provide for their ultimate parcelling out. The Germans emphasized the economic side. Here the plan was to associate the nationals of the two countries, and to avoid "sterile and injurious competition": contracts should be awarded by agreement with the lesser company, instead of by tender, as provided by the Act of Algéiras.²

In order to avoid the necessity of coming to an agreement on each individual public works project, a company, the Moroccan Society of Public Works, was formed to take over all contracts.³

This company made numerous proposals, but by the end of June, 1911, not one had made any headway, a special explanation being given in each case--English opposition, lack of funds, etc. In the complete failure of this attempt, the responsibility of the French government is clear; it recoiled before the difficulties

¹Christian Schefer, D'une Guerre à l'autre (Paris: Alcan, 1920), pp. 297-302.

²A. Tardieu, Mystère d'Agadir (Paris: Calman, 1912); Josef Caillaux, Agadir, Ma Politique Extérieure (Paris: Michel, 1919).

³Tardieu, pp. 59 ff.

which it was in a position to see from the beginning.¹

Franco-German cooperation was planned in mining and building railroads, but because of the failure of the French government to promulgate mining regulations in one case, and its failure to make an agreement with Germany as to personnel in the other, nothing came of it. In all cases, failure was due to difficulties of a political nature between the governments. As Halévy puts it, "The agreement of 1909 found no opposition from the industrialists of the two countries; it broke down in France because of the fierce resistance of the Nationalists, who thought it too international, and of the socialists, who thought it too capitalistic. Here industrialism made for peace and was defeated by other forces non-economic."²

The responsibility of the French government is admitted by the eminent French statesmen who have written on the subject. Thus, Caillaux writes, "To refuse the Congo Consortium, the Congo Cameroon Railway, the German demands in regard to the Moroccan Railways, and then to go to Fez, was to provoke a conflict." Tardieu writes, "Coinciding with the march on Fez, the abandonment of the Consortium unquestionably contributed to precipitating the crisis of 1911."

The only traces of tariff questions in the whole proceedings are the following: First, Cruppi, who in March, 1911, succeeded Pichon as Foreign Minister, and who rejected certain agreements that had been practically concluded by his predecessor, tried to show his good will in another way. Germany had long complained of discrimination in the application of the French tariffs by customs officials, and the French government refused to consider the complaints on the ground that it was a question of sovereignty. Cruppi now proposed a mixed commission to study the application of French and German tariffs. This would yield the point the Germans had been seeking and yet save face for France by making the enquiry mutual. Tardieu says, "The French Government thus agreed to a notable sacrifice to the German Government." The importance attached to this by the German Government may be judged from the fact that they made no reply.

¹Ibid., pp. 65-73; Caillaux, pp. 50-51.

²Elie Halévy, The World Crisis, 1914-1918 (London, 1930), p. 24.

Second, de Selves, who succeeded Cruppi in June, 1911, among other proposals looking toward a solution, suggested the extension of the tariff regime of the conventional Basin of the Congo (i.e., equal treatment for the commerce of all nations) to all French possessions in Equatorial Africa. In reply to this offer, Kiderlen uttered loud cries, declared he was being made fun of and that with such insignificant concessions there would be no way of coming to an understanding.¹

As a matter of fact, if we can take the word of the German Chancellors, it was not Germany's economic interests, but her prestige that was injured. Thus Bülow said that France and England in disposing of a vast colonial domain without even informing the German Empire, struck a serious blow at her prestige in the world.² Bethmann-Hollweg, on December 5, replying to criticisms, said,

"German prestige does not demand reversion to the Algeciras Act. Our prestige demands that we should not suffer an international treaty like the Algeciras Act which bears our signature, to be altered for the benefit of one party without our assent and to our disadvantage. For this we would fight, if necessary with the sword."³

Finally the entry of France into the World War had nothing to do with tariff questions. This topic is too big to be discussed here. The above dogmatic statement is based partly on the absence of any mention of tariff friction by historians such as Gooch, Fay, Schmitt, and Brandenburg, or in the official documents available, and partly on the inherent improbability that tariff difficulties could have played a part in view of what is now well established with regard to the positive factors affecting the decision of the French government at the time.

To sum up: In spite of minor causes of complaint such as the acquits-à-caution, the high French tariff of 1892, and some difficulties concerning the application of it by French customs officials, the preferential tariff regime set up in the French colonies, and some resentment on the part of the French toward Article 11 as part of a dictated peace, tariff relations were on the whole regulated in a satisfactory manner by that article and tariff friction was an entirely negligible factor in the hostility existing between the two countries.

¹Tardieu, pp. 402, 454.

²Caillaux, p. 19.

³In his speech to the Reichstag. Translated by the British Ambassador, Goschen, Great Britain, Foreign Office, Morocco, Nos. 1, 3.

CHAPTER III

GERMANY AND AUSTRIA-HUNGARY

General Features of Hapsburg Foreign Policy

The case of Austria-Hungary and Germany is interesting for two reasons: It offers a good example of the use of the tariff as an instrument of foreign policy; and also is a good example of tariff friction accompanied by friendly political relations.

In the later years of the period (1860-1914), the growing force of nationalism in international relations is reflected in the fact that Austria-Hungary was the one great power which became more closely linked with Germany as time went on. While all the other great powers of Europe, except France, commenced the period as friends of Germany, and one by one became estranged from her, the Hapsburg monarchy, after a period of rivalry with the Hohenzollerns culminating in armed conflict, became their only trusted ally.

The foreign policy of Austria-Hungary during the early years of the period under review was largely the result of the interaction of four forces: The personality of the emperor, the nature of the population, the constitution of the country, and its geographical location. A few words devoted to each of these factors will make the situation sufficiently clear for our purposes.

The Austria of Francis Joseph's youth was the centre of the reactionary forces of Europe. Serfdom had hardly disappeared. The court and all aristocratic circles were living in dread of the subversive forces of liberalism that had so nearly destroyed the world in the French Revolution. During the thirteen-year reign of Francis Joseph's feeble-minded uncle, the efficient state machine built up under his grandfather had kept going of its own momentum, but it fell to pieces in the revolutionary movements of 1848.

It was in this time of collapse, when civil government had given place to martial law in Austria, when Hungary was controlled by revolutionary forces so strong that the Czar of Russia felt it advisable to send 130,000 men to help "restore order," that

Ferdinand abdicated, and the eighteen-year-old Francis Joseph was made ruler of the multifarious lands of the Hapsburgs.

These circumstances fitted in well with the formal training he received from his mother and his other teachers, and with the deep impression made on him in the early years of his reign by his great practical guide and teacher, Prince Felix von Schwarzenberg (Chancellor until his sudden death in 1852), and the result was a ruler who became in the course of the sixty-eight years of his reign, the most tragic monarch in Europe, a man of the middle ages being gradually overwhelmed by the uncomprehended forces of the modern world.

The Emperor Francis Joseph can be well described by the one word "mediaeval." In his view, the hierarchical arrangement of affairs was the only legitimate situation. The significant cleavages in human society were along horizontal or class lines,-- the rulers, the nobles, the clergy, the artisans and the peasants-- these were the elements of which Europe was composed. Nationalism was a part of that pernicious liberalism which in the French Revolution had come so near to destroying civilization. Countries were merely the domains of their respective sovereigns; the national feeling of the inhabitants was not a factor in determining boundaries; the allegiance of subjects was their personal allegiance to the ruler as a ruler, and not as the representative of any national state. Loncarevitch reports that the Austro-Hungarian Minister to Serbia dismissed the arguments of the Serbian government on the question of the national feeling of the people with the dictum, "The peasant is international." In this he was stating his master's position exactly. This view of nationalism, because it was so sharply in contrast with the view which came to be so generally accepted by the end of the nineteenth century, was one of the insoluble elements in the problem of Austro-Hungarian foreign relations.

Thoroughly mediaeval, too, was his attitude toward democracy. In his view, authority came from God to the ruler, whose duty it was to rule the populations over which he was placed. The idea that the people should rule seemed to him to be another destructive heresy that had been manifested in the French Revolution. He was as sincere in his belief as in any conviction of his serious nature. He believed that Piedmont could not but become weak because of its liberal constitution. In his own empire, he conceded

the form of responsible government as a political expedient, believing that it would fail, and that he would be able to restore the autocracy. This strong determination to maintain his own authority was to a considerable degree successful, at least in the sphere which chiefly interested him--foreign policy. It combined with a particular view of his, that individuals are unimportant cogs in the machine, to cause him to entrust important posts to weaklings. How important a seemingly trivial matter of this kind may become can be seen by considering how different world history might have been had the foreign affairs of the Empire in 1914 been in the hands of an able man instead of in those of Count Berchtold.

Closely connected with this view of his office as divinely appointed autocrat was his feeling of responsibility for maintaining the status quo. This attitude of defender of the sanctity of treaties might seem to be a matter dictated by the peculiar racial composition of the Empire, but unfortunately it was more than this. It was this conviction of his that things ought to remain as they had been that prevented him from framing a long range policy that might have had some chance of meeting the problems of the changing times, and so made his foreign policy look like nothing more than aimless attempts to meet or to evade each individual difficulty as it came.

Equally at variance with modern thought was his attitude toward the army, or rather his attitude toward civilians and civilian affairs. Serious in everything he did, he was never more serious than in regarding himself as primarily the Commander-in-Chief of the armies of his Empire. This conceit cost him dearly at Solferino, where his inexperience permitted the French to get credit for a great victory out of what was a rather indecisive battle. He never appeared in any other dress than the uniforms; his only forms of recreation were riding and shooting; he thought of the state as something to be measured in terms of force as embodied in the army and the police. This primacy accorded the army amounted to a contempt of economic matters surpassed among the great powers only by Russia, and accounts for much in Austrian policy that is inexplicable to those accustomed to see an economic explanation for all the events of history.

Without intellectual brilliance, without exceptional educational equipment, but possessed of a deep sense of duty, unsurpassed courage, great capacity for work, and that very fixity

of aim which so often proved fatal, the Emperor Francis Joseph for more than two-thirds of a century was one of the great forces in European history, even if his force was that of a rock that deflects the current for a time, and is finally undermined and washed away.¹

So much for the ruler; let us next briefly consider his subjects. Volumes have been written on this topic.² For our purpose, however, it will suffice to recall the two outstanding peculiarities of the Empire's peoples.

The first is their extreme heterogeneity in race, language, religion, culture, and economic condition. As usual, the racial differences are very much exaggerated in popular thought. For instance, the Magyars are very much the same anthropologically as the Slavs that surround them, although they are often said to belong to the yellow race. The important thing for history, however, is the way the people themselves felt about it, and they unquestionably felt that linguistic differences represented racial differences--and Austria-Hungary was certainly a polyglot Empire. The dominant group in Hungary was of course the Magyars, but this kingdom also contained large numbers of Germans, Slavs, and Rumanians, besides less numerous groups of Jews, Gypsies, Turks, and others. Similarly, the dominant group in Austria was German, but it was greatly outnumbered by the non-German population composed of Czechs, Slovaks, Poles, Serbs, and Italians. The difficulties of the situation, however, arose less from the facts of difference, than from the traditions of hostility which in many quarters of the Empire paralleled the situation we are all familiar with in Ireland. The numerical strength of the different elements in 1870 is given below:

	<u>Austria</u>	<u>Hungary</u>
Germans	7,200,000	1,800,000
North Slavs	9,800,000	2,200,000
South Slavs	1,700,000	2,400,000
Italians and Rumanians	800,000	2,600,000
Magyars		5,400,000

¹See especially Joseph Redlich, Emperor Francis Joseph of Austria (New York: The Macmillan Co., 1929).

²See especially Wolf von Schierbrand, Austria-Hungary, The Polyglot Empire (New York: Stokes, 1917); and Oscar Jaszi, The Dissolution of the Hapsburg Monarchy (Chicago: University of Chicago Press, 1929).

These figures certainly show that the Hapsburg monarchy was one of those states which even such a strong believer in democracy as J. S. Mill thought might be unsuited for representative government. Unfortunately for the growth of a sense of national unity in the Empire, these differences were augmented by the famous "Divide et impera" formula which was the nearest approach to a policy for dealing with the nationalities problem that the Hapsburg monarchy achieved. While this policy was consistent with the emperor's view of the monarchy as a "Police State" it was utterly incompatible with constitutional government and manhood suffrage which were features of the constitution in the closing years of its existence.

The other unique feature of the Austro-Hungarian nationalities problem, which became more pronounced as the years went by and is still a source of danger to world peace, lay in the fact that so many of these racial groups regarded themselves as forming parts of other nations to which they had a right to belong. When these nations, like Poland, for example, did not form independent states, the problem was less serious than when they did, as in the cases of Italy, Roumania, and Serbia. In these countries nationalistic organizations kept up continuous agitations for the "liberation" of the subject lands, and gave support to the disruptive elements within the Hapsburg Empire. At first it was his Italian lands that were forced from Francis Joseph, and later important elements in the heart of his Empire, among the German Austrians, were not quite sure whether they should not be part of the German Empire. In the end, it was Francis Joseph's efforts to stop the similar attempts of his Serbian provinces that brought his Empire down in ruins. In short, the Hapsburg Empire was something like an aggregation of a dozen Irelands, several of which were also in the position of Alsace-Lorraine.

The instrument of government by which these diverse elements were to be governed, while it suffered various modifications during the period, never ceased to be a freak among constitutions.

In the first place, it must be remembered that the crown of the Holy Roman Empire had long been one of the hereditary possessions of the Hapsburgs, and although that strange manifestation of mediaeval political theory had had its shadowy existence brought to a close during the Napoleonic era, it affected the history of modern Austria-Hungary in two ways: It gave Austria the permanent

chairmanship of the Germanic Confederation; and it contributed to that overweening Hapsburg pride which made the Emperor treat as "pretensions" all attempts of Prussia to secure recognition as the equal of Austria.

It must also be remembered that among the numerous hatreds that existed between the different peoples of the Empire, that between the Magyars and the Austrians was outstanding. For generations it was nothing but the common danger presented by the Turks that kept the two sections united. For centuries the Magyars had shown their political capacity by maintaining some measure of responsible constitutional government, and by their handling of the Slavic peoples by whom they were surrounded. This constitutional government continued in Hungary after the Napoleonic wars, while Austria was governed autocratically. The Turks no longer constituted a menace, and in the 1848 upheaval, the Magyars declared their independence. They were put down, however, by the combined forces of reaction, Austria and Russia. From then until 1867, Hungary was included in the centralized absolutism of Austria. The passive resistance of the Magyars, however, made the situation much less satisfactory in Hungary than in Austria, so that Hungary became an element of weakness rather than a source of strength in the Empire. The defeats suffered by the armies of the Emperor in the war with France and Piedmont, 1859, demonstrated the need of reform, and the Schmerling or "February Diploma" (1861) providing for a bicameral Federal Parliament was the result. Under this scheme, the Lower House was to be elected by the members of the various provincial diets, 203 from those of Austria, 120 from those of Hungary, and 20 from those of Venetia. The scheme functioned in Austria, and remained with modifications until 1918, thus earning for Schmerling the title, "Father of the Constitution." This constitution was not acceptable to the Magyars because of the degree of centralization involved. They desired independence, no connection with Austria except the personal union in the common sovereign.

Negotiations were under way with Hungarian leaders in an effort to effect a solution, when the defeat by Prussia in 1866 emphasized anew the necessity for reform. The sting of the defeat impelled Francis Joseph to one of the few bold strokes of statesmanship in his reign. He made Count Beust Premier and Foreign Minister. Beust was not one of his subjects, but a Saxon.

Francis Joseph selected him for two reasons: His opposition to Prussia (Francis Joseph did not accept the exclusion of Austria from Germany as final); and his ability to manage a parliament so as to retain the reality of monarchical control under the forms of constitutional government, which Francis Joseph had reluctantly come to regard as inevitable in Hungary. The fact that Beust was an outsider gave him an advantage in the negotiations with the Magyar leaders because he was not associated with the Austrian dictatorship. The successive defeats, of course, had made the Austrians ready to make great concessions. The result was the "Ausgleich," or Compromise of 1867, which settled the constitution of the monarchy until 1918. This divided the monarchy into two parts, sometimes called Austria and Hungary, sometimes Cisleithania and Transleithania, though neither description is accurate.

The Austrian half of the monarchy was a genuine federal system, each of the provinces having a diet of its own. The government of the Kingdom of Hungary, on the other hand, was only semi-federal. Transylvania or Siebenburgen had a provincial diet, Croatia-Slavonia another, and each of these provinces had representation in the Hungarian Diet. This latter body filled the double role of local diet for Hungary proper and federal diet for the whole kingdom. Each half of the monarchy was to have complete independence except in relations with other states. To look after these, three ministries were created: Foreign Affairs, War, and Finance. However, the War Minister was to be strictly a War Minister, and not to have control over the administration of the armies in times of peace; the Imperial Finance Minister was given only one source of revenue, the customs, all further requirements of the imperial budget being met by contributions from the two states, 70 per cent from Austria and 30 per cent from Hungary; while all treaties required the ratification of the Austrian Parliament and the Hungarian Diet. The financial arrangement were concluded for a ten-year period to be readjusted every decade.

The legislature, if we may call it such, for the whole monarchy consisted of two "Delegations" one from each half of the realm, each composed of sixty members, two-thirds of them in each case from the Lower House, so selected that each province would have definite representation. These delegations sat and deliberated separately, but in case of deadlock, they met as one body to vote but not to debate. Obviously, since the powers given the

central government by this constitution were so few, and especially because the revenues assigned it were so meager that it depended on the contributions of the two states for five-sixths of its income, the central government could work only by securing the co-operation of the governments of the two states. To secure this, an extra-legal, informal "Crown Council" was established, composed of the three common ministers, the premiers, and often the finance ministers, of the two states, and presided over by the Emperor. This was the body that actually decided important questions of foreign policy.

Two things about this constitution are of special importance for foreign policy: First, the tendency towards inaction resulting from the necessity of having the two parliaments ratify everything; second, the lack of parliamentary control resulting from the fact that the three ministers of the whole monarchy were responsible to the Emperor alone. To be sure, they had to get their proposals approved by the delegations, and the two parliaments had a remote control over the Emperor in the power to withhold funds, but since foreign affairs are regularly conducted in the greatest secrecy, it was always possible for the ministers to confront the parliaments with a situation in which a refusal of funds would leave the country open to invasion. Responsibility for foreign policy in the monarchy, therefore, rested with the Emperor and his ministers, ultimately with the Emperor, not only because he appointed the ministers, but also because he kept in close touch with the course of events and after the death of Schwarzenberg never had a minister who either dominated him, or became indispensable to him.

The location of the Hapsburg monarchy was also a powerful factor in its foreign policy. In early modern times the fear of the Turkish power had been largely responsible for holding the various lands of the Empire together, while in later times the fear that the break-up of that power would lead to a shift in the equilibrium of forces in that part of Europe was the controlling factor in the relations of the monarchy to Russia. Furthermore, its location relative to Germany and Italy, combined with its anomalous racial composition and its traditional claim to be the successor to the mediaeval empire, largely determined its relations with those powers.

To sum up, we may liken the Austro-Hungarian ship of state to a raft made of two logs loosely tied together, placed in a

treacherous and stormy sea, manned by a factious and rebellious crew, captained by a master who had no port toward which to steer, except that from which the winds and currents were driving him ever farther and farther away.

The Struggle Between Austria and Prussia for Hegemony in Germany

It must be remembered that "Germany" in 1848 was the Germanic Confederation or Bund established after the Napoleonic wars. It was little more than a defensive alliance among the German princes. It had a legislative organ, the Diet, but no executive organs. This Bund included German lands only, thus excluding all the lands of Hungary, Galicia, Bukovina, and the Italian lands of Austria. This was of importance in Austria's war with France and Piedmont, since the admitted objective of this war was to obtain the Italian provinces of Austria, and thus there was no obligation on Prussia or the other German states to assist Austria in defending them. The permanent chairmanship of the Bund was given the Hapsburgs, but they were unable to profit from the fact. There was a powerful movement throughout Germany, including Austria, for unification, but this was a popular movement which included democracy in its program. The absolutism of Francis Joseph made him unable to lead this movement, while his loyalty to the status quo prevented him from making an agreement with Prussia to divide the lesser states between them. The result was that in the struggle with Prussia, Austria had no program but the maintenance of the status quo, while Prussia consistently worked towards the unification under the Hohenzollerns of all Germany outside the Hapsburg domains. As we shall now see, the tariff was an important weapon in this struggle.

During the generation following the Napoleonic wars, the German Zollverein had been gradually built up. Prussia had been the leader in this movement, as was to have been expected from her location among the numerous petty states of North Germany, and from the shape of Prussia on the map--cut in two parts, and otherwise so irregular that communication between different parts frequently involved crossing the frontiers of other states. At the same time, liberal ideas were making headway in North Germany, so that opposition of the smaller states to removing their tariffs was diminishing. Nevertheless, the political motive, the aim of

Prussia to make economic unity a stepping stone to political unity, was a powerful factor, since it frequently caused Prussia to buy the adhesion of other states by the offer of important economic concessions. The fact that the customs revenue was distributed to the different states composing the Zollverein on a per capita basis was a strong inducement to the South German states, in which the average income was lower than in Prussia. Austria, until 1848, did not offer to join the Zollverein, nor did she object to the attempts of Prussia to extend it among the smaller states. This is explained by the usual Austrian contempt for economic considerations, and by the fact that Metternich believed that the influence of Austria in the Bund would increase because of the friction that he expected the Zollverein would cause between Prussia and the smaller states.¹

Hence the economic rivalry between Austria and Prussia begins in 1849, when Schwarzenberg took charge of Austrian policy and made Bruck his Trade Minister with the aim of joining the Zollverein. Although Schwarzenberg broke with the previous prohibitive tariff policy of Austria and made some reductions in the Austrian general tariff, his motives in attempting to join the Zollverein were predominantly political. He thought this would be a way to restore Austria's former position in the Bund. He hoped that a swing in German public opinion in favor of Austria would result from his move. A delegation of Austrian industrialists, protesting against the proposal, said they would make the sacrifice "as good Austrian patriots, if the Zollverein with Germany were a political necessity for the Austrian State."²

In this rivalry with Prussia, Austria was working under two great disadvantages: First, the prohibitive tariff previously in effect in Austria, which had permitted the existence of a considerable body of industry so inefficient that immediate lowering of the duties to the level of those in the Zollverein would have resulted in considerable unemployment for a time; second, the lower per capita income of Austria. This latter gave Prussia a plausible reason for objecting to Austria's joining the Zollverein (since it would have meant the transfer to Austria of large sums of money

¹Zimmermann, p. 5; Ashley, chap. 11.

²Adolf Beer, *Die Oesterreichische Handelspolitik im 19 JH* (Wien, 1891), p. 90; Grunzel, p. 25.

collected from the people of Prussia and the wealthier North German states). On the other hand, when Prussia refused to admit Austria, the latter might propose a Zollverein of her own, i.e., one including Austria-Hungary and as many other German states as could be induced to join it, leaving Prussia to herself. This arrangement would appeal to the industrial classes in the South German states, which would welcome admission to the Austrian markets, and which were suffering from the competition of Prussian goods and the foreign goods admitted by the relatively low Zollverein tariff. Further, connection with Austria was favored by the ruling houses in several of the smaller states because of the unconcealed desires of Prussia to absorb them all. Religious considerations also worked in Austria's favor since the South German states were Catholic, and those of them who felt that political union was likely to follow economic union would naturally rather join Catholic Austria than Protestant Prussia. However, these considerations were outweighed by the fiscal factor. Joining Austria with her poverty-stricken millions meant that instead of receiving a virtual subsidy from Prussia, they would be paying a subsidy to Austria. In 1850, Bavaria and Württemberg asked Schwarzenberg to guarantee their former customs revenue.¹ This, of course, was politically impossible since the business community of Austria felt that it was making sufficient sacrifice in admitting the other German states to Austrian markets without being taxed to subsidize those states.

The political relations of Austria and Prussia in 1850 passed through one of those crises which recurred intermittently until the founding of the German Empire. In 1848, the liberal German constitution makers had elected Frederick William Emperor, and he had declined on the ground that he did not wish to rule by the grace of the people.² Nevertheless, General Radowitz, the most influential of Frederick William's ministers, was something of a German nationalist, and not averse to using popular feeling when it might be of assistance in extending the influence of Prussia. Consequently, Prussia gave support to the people of Schleswig-Holstein in their rebellion against Denmark, and also to the revolutionists of Hesse-Cassel, who had driven out the elector. The latter appealed to the Bund for assistance to restore

¹Lang, pp. 151-52.

²Redlich, p. 68.

his authority, and the Diet authorized an Austro-Bavarian force to enter Hesse-Cassel and restore the elector. How, because of the location of Hesse between the two halves of Prussia, the latter had acquired a treaty right to move troops across Hesse. Hence the movement of forty thousand Prussian troops into Hesse was not technically an invasion. These Prussian troops, however, blocked the advance of the Austro-Bavarian forces, and Austria served an ultimatum on Prussia requiring her to withdraw her troops within eight days, and to recognize the authority of the Diet. Prussia mobilized, but the Czar did not want a war between Austria and Prussia, and indicated that he would support Austria as the upholder of the conservative cause. Prussia, feeling unequal to war with both powers, was forced to accept all the demands of Austria. The elector of Hesse was to be restored and Denmark was to have Schleswig-Holstein. Prussia agreed not to resist the Austrian army which was to execute the commands of the Diet to effect these results. The conference between Schwerzenberg and Manteuffel, the Prussian representative, at which this agreement was reached, was held at Olmütz, November 27, 1850, and the word passed into diplomatic language as a synonym for humiliation.¹

Lang remarks that it was fortunate for Prussia that trade matters were not mentioned on that memorable Olmütz day, but it is characteristic of Austrian diplomacy that she gained nothing from that great victory except prestige. The important questions of trade and a constitution for Germany were left to other meetings in which Austria was without the decisive support of the Czar.

Negotiations for the renewal of the Zollverein had been begun in Kassel in July, 1850, and Prussia had met the wishes of the South German states by agreeing to higher duties on linen, silk, wool, etc. Influenced by this concession, Beust, the Saxon Minister, told Austria that on economic and fiscal grounds, Saxony could not leave the Zollverein.

Gaertner points out that the South German states needed access to the sea, which Austria could not offer, since the Alpine railroads had not yet been built. In any case, access to the Adriatic would have been no satisfactory substitute for access to the North Sea. A union of Hanover and Prussia, if Prussia

¹Richard Charmatz, Geschichte der Auswärtigen Politik Österreichs im 19 JH (Leipzig: Teubner, 1918), pp. 28-33.

permitted the Zollverein to go to pieces, would expose the South German states to ruinous transit duties. Hence the Kassel conference had left the conviction that some steps toward joining the Zollverein would be all that Austria could achieve at the time.¹

The trade question also was dealt with at the Conference of Ministers held at Dresden (December, 1850 to March, 1851), to consider the reform of the Bund, but Austria made little headway toward gaining admission to the Zollverein. The South German states favored the admission of Austria because of their feeling that it would make them less dependent on Prussia, but they were not willing to leave Prussia to form a Zollverein with Austria. Prussia felt that Austria would not lower duties sufficiently, and mistrusted the Austrian customs administration (smuggling into Austria had reached such proportions that it was an important factor in bringing about the reduction of duties in 1851). However, the chief motive for Prussia's opposition was fear for her hegemony.² A resolution was adopted recommending a trade treaty with Austria which would further her approximation to the Zollverein in every respect, so that negotiations leading to complete tariff union might be begun shortly. Austria comforted herself with the thought that more might be achieved at the meeting of the Bund in 1851, but during the deliberations of that body an event occurred which greatly strengthened Prussia--the trade treaty with Hanover. This country had a long coast line and a large trading community, and hence an even lower tariff than the Zollverein. Its reluctance to join the latter was increased by the recent agreement to raise the Zollverein duties to please the South German states. The court also objected to the loss of freedom of action involved. However, Hanover was in financial difficulties and Prussia guaranteed nine hundred thousand dollars out of the customs receipts, and made a secret promise to make every effort to lower the Zollverein duties. On these terms, Hanover signed a Treaty of Commercial Union with Prussia, September, 1851, to go into effect in 1854.³

¹Alfred Caertner, Der Kampf um den Zollverein 1849-53 (Strasburg: Herder, 1911), pp. 109-13.

²Beer, pp. 99-101; Lang, pp. 152-53.

³Lang, pp. 153-54; Ashley, chap. ii; Zimmermann, pp. 5-17.

The importance of the Hanover Treaty to Prussia can be seen by a glance at the map. Hanover and Hesse-Cassel lay between the two parts of Prussia; therefore, as long as Hanover maintained her customs frontier, the only unimpeded way of communication between the two parts of Prussia was through Hesse. Since the elector of Hesse owed his throne to Austrian support, it was a foregone conclusion that if the other South German states decided to form a Zollverein with Austria, Hesse-Cassel would go with them and Prussia would be cut in two. The Hanover Treaty provided an alternative connecting link and made Prussia independent of the South German states. This treaty caused great indignation in the south, and Austrian pressure at one time seemed on the point of succeeding in getting Hanover to withdraw from it.¹

After the Hanover Treaty, Austria continued her efforts to come to an understanding with Prussia, but at the same time laid plans to form a South German Zollverein. A conference was summoned to meet in Vienna in January, 1852, to discuss a trade treaty which would be preliminary to full customs union. Prussia was invited to this conference, but did not attend. In her absence it was agreed that before the existing Zollverein was renewed, a trade treaty must be concluded, to be followed by the formal admission of Austria. Secret agreements were made that in case the above arrangement proved impossible, Bavaria, Saxony, Württemberg, Hesse, Baden, and Nassau, would conclude a separate customs union with Austria.²

After the close of the Vienna Conference, Prussia resumed negotiations for the renewal of the Zollverein. Manteuffel declared that he was disposed to treat with Austria only after the renewal, and the very states that had just signed secret agreements with Austria to the opposite effect, made no objection. Prince Schwarzenberg died in April, 1852, before the close of the Vienna Conference; although his successor, Count Buol, continued to work for the customs union, he (Buol) lacked both the prestige abroad and the influence with the Emperor, which had contributed so much to the successes of Schwarzenberg. Buol argued that Austria could not be treated in Germany as a foreign power with which the Zollverein could make treaties on the same basis as with other states.

¹Zimmermann, pp. 12-15.

²Lang, p. 155; Beer, pp. 112-19.

He said Austria could not help making a political question out of it, and would let the Zollverein go to pieces rather than be consolidated with Austria alone left out. The only condition on which Austria would agree to negotiate a trade treaty without the assurance of later admission to the Zollverein was that the Zollverein be renewed for a very short period.

In September, 1852, Prussia announced that collective negotiations for the renewal of the Zollverein were at an end, and that thenceforth she would negotiate only with individual states. Austria called a conference to arrange the details of the Zollverein that had been secretly accepted by the South German states. This conference met in October and November, 1852, and the prospects of its success were apparently sufficient to induce Prussia to invite Austria to negotiate a treaty with herself alone. The difficulties that arose at the Vienna Conference were such that Austria accepted Prussia's invitation, and negotiations began at Berlin while the conference still went on in Vienna, December, 1852.

There were two additional factors that impelled Prussia to accede to Austria's request for an agreement before renewing the Zollverein. First, Hanover, fearing that the South German states might go in with Austria and thus leave her too closely dependent on Prussia, was trying to escape from her agreement. Second, the Czar of Russia, still a great influence in Germany, had been putting pressure on the two powers to come to an agreement. Russia felt herself peculiarly responsible for maintaining the treaty system of 1815, and the coup d'état of 1852 by which Napoleon became Emperor, seemed to be a threat to the 1815 treaties. Nesselrode feared that the smaller German states would gain in self-esteem from the rivalry of Austria and Prussia, and might, with Napoleon's support, propose the reconstruction of the Confederation of the Rhine.¹

The result was the famous February Treaty of 1853. This treaty, in addition to reciprocal most-favored-nation treatment, provided for preferential rates of duty on many kinds of goods, ranging from 25 per cent to 50 per cent below the rates charged on goods from other countries.²

¹Gaertner, pp. 238 ff.

²For details, see Beer, pp. 170-71.

The treaty also contained a clause, Article 25, providing that negotiators should meet in 1860 to arrange for customs union with Austria, or, if that should prove unattainable, to agree on further reciprocal lowering of duties. This clause was accepted only after much debate, and was one matter to which Russia gave strong support. In April, the Zollverein was renewed.

The above events have been very differently interpreted. Grünzel regards the exclusion of Austria from the Zollverein as the significant fact, and refers to it as Austria's "commercial Sadowa." Lang says the treaty "merely" contained the above clause, and that it "proved illusory." Charmatz says Article 25 was "an empty promise." On the other hand, Peez says it was agreed that the results of the treaty were favorable both for Austria and the Zollverein, while Beer states that the February Treaty was regarded as a victory for Austria, and quotes the opinion of a French commentator to the effect that "it might be said that Prussia, Austria, and the rest of Germany now form a single body." Beer also quotes Hock as referring to it as "such a treaty as exists between no other peoples of the earth--such as neither Austria nor the Zollverein could conclude with its neighbors." Gaertner states that Bruck and Buol were satisfied while in Prussia there were some feelings of bitterness. He says it was the great European disturbances beginning in 1854 that brought about the humiliation of Austria.¹

The truth would appear to be that the writers who regard it as a defeat for Austria are influenced in their judgment by the subsequent course of events. Certainly the preferential feature was significant, and Article 25, though it did not guarantee Austria's admission, certainly did not close the door against her. Indeed, it is open to question whether it would have been politically possible for Buol to have secured ratification of Austrian adhesion to the Zollverein on the only terms that would have been acceptable to the smaller German states even if Prussia had not been in the picture. It must be remembered that the industrialists of Austria enjoyed an extremely favored position behind their high tariff because of the large agricultural regions of the Empire

¹Grünzel, p. 29; Lang, p. 157; Charmatz, p. 27; Beer, pp. 171-72; Gaertner, pp. 339 ff.; A. Peez, "Die Österreichische Handelspolitik der letzten 25 Jahre," Schriften des Vereins für Sozialpolitik, Vol. XLIX.

from which foreign competition was excluded. Furthermore, these industrialists were strategically located to exert political pressure. The regions favoring lower tariffs were either politically backward like the South Slavs, or distinctly out of favor with the Vienna government like the Magyars. Schwarzenberg succeeded in making the break with the prohibitive system of the Metternich era, only by getting the approval of a committee of industrialists whom he had the provincial governors choose on the basis of their known sympathy with reform. The patriotism of the industrialists could hardly be counted on to secure their assent to so great an injury to their pocketbooks. Lang admits this, and Count Buol did not have enough influence over Francis Joseph to force him to encounter the opposition of his most loyal subjects for the sake of an economic idea.

For our purposes, however, the important fact in the whole episode is that both Prussia and Austria were guided by political considerations. The tariff was merely a weapon in the struggle for leadership in Germany. No only do we have the unanimous opinion of the historians and the recorded pronouncements of the statesmen above cited, but the actions of the governments, then and later, admit of no other explanation. Prussia agreed to raise the duties to induce the South German states to renew the Zollverein, then promised Hanover she would try to lower them to get that state to join, while Austria reversed the course of her tariff legislation and returned to the protective system as soon as the struggle for leadership in Germany was definitely lost.

The war with France and Piedmont, 1859, will be dealt with below, but it affected relations with Prussia in two ways: First, it added to the disorganization of Austrian finances (Austrian paper money had been depreciated 34 per cent by the expenses of mobilization during the Crimean War) thus making fiscal considerations important; second, Francis Joseph felt that he had been betrayed by his "oldest and most trusted ally"--Prussia. However, Rechberg, who had become Foreign Minister in 1859, worked to restore good relations and succeeded in doing so in a meeting between Francis Joseph and William, the new King of Prussia, in July, 1860. These events explain why nothing was done towards implementing Article 25 of the 1853 treaty until August, 1860, when Austria sent formal invitations for negotiations on the subject of joining the Zollverein. Prussia accepted the invitation, but

added that she doubted a favorable outcome because she was definitely opposed to a customs union with Austria.

The Prussian ministers thought that by taking decided steps towards free trade they could make Austria's adhesion to the Zollverein impossible. They were prevented from taking these steps by the opposition of the South German states, but an opportunity was unexpectedly furnished by Napoleon III, who suggested negotiations for a trade treaty just three days after the conclusion of the Cobden Treaty with Britain. Such a treaty offered the best opportunity for progress towards free trade, and would exclude the possibility of a future preferential treatment of Austria; hence it met Manteufel's immediate approval. It was supported by the press of North Germany, Saxony approved it, but it met with opposition in the South. Württemberg wanted a conference, but Prussia declined, feeling that it would be without results because of the sympathy of the South German states for Austria. Prussia also rejected the suggestion of Bavaria that Austria be invited to join the negotiations.

Brück, the Austrian Minister of Finance, who was the leading advocate of adhesion to the Zollverein after the death of Schwarzenberg, died in April, 1860, and his successor, von Plener, suggested postponing the negotiations provided for by Article 25 of the 1853 treaty. Prussia's attitude had made it clear that no progress could be made at the time, so Austria now attempted to defeat the French treaty, or at least to maintain the preferential position accorded by the 1853 treaty, which would have been brought to an end by the conclusion of the treaty in its proposed form, which granted France unconditional most-favored-nation treatment in the Zollverein. In spite of all opposition, the Prussian government signed the treaty with France, March 29, 1862. The authorities are unanimous that although free trade was popular in North Germany on economic grounds, the Prussian government was chiefly influenced by its political purpose of preventing Austria from joining the Zollverein.¹

Delbrück, the Prussian Minister of Commerce, was a free trader, and hence it might be argued that Prussia was acting in the economic interests of Germany without political motives.

¹Weber, p. 386; Zimmermann, pp. 27 ff.; Lang, pp. 159 ff.; Ashley, chap. iii; Lotz, *Schriften*, L, 31 ff.

Indeed, a statement to that effect was made by Count Beust of Saxony, who was later made Foreign Minister of Austria because of his deep-rooted antagonism to Prussia. But Delbrück himself stated the position of the Prussian ministers in the following words:

"We permitted ourselves to be influenced by our relations with Austria only to the extent that the words of the treaty and our interests demanded. We knew quite well that a treaty with France would put off the German-Austrian customs union into the invisible future; but we did not want any German-Austrian customs union; we wanted only a limited elaboration of the February (1853) Treaty."¹

Bismarck, who became Prime Minister in September, 1862, and was the moving spirit in securing acceptance of the treaty by the South German states, said he had foreseen a struggle to determine whether Austria would succeed in destroying the Zollverein, and added, "For the defense of our interests in this matter, I found the French trade treaty one of the most serviceable tools and weapons." A secondary motive, also of a political nature, was the desire to win the good will of France.²

The announcement that the treaty had been signed was the signal for fresh activity on the part of Austria to prevent ratification. Rechberg sent a violent note to Berlin, claiming that the treaty was absolutely irreconcilable with the maintenance and development of more intimate trade relations between Austria and the Zollverein. He stated that Austria was proceeding with reform, but had not reached the point required by the treaty. Later, July 10, 1862, Rechberg offered immediate adhesion to the Zollverein on the basis of the existing Zollverein tariff.³

This was considered a master stroke by the South German states. They felt that if Prussia refused the offer, they could form a union with Austria. Most important, Beust reversed his position and said that Saxony would accept the French treaty only if all the states in the Zollverein did so, and that in case of rupture, Saxony would join Austria. Prussia considered Rechberg's

¹Rudolf von Delbrück, Lebenserinnerungen, II, 216.

²Bismarck's speech to the Reichstag, February 21, 1879; Brodnitz, p. 23.

³Lang, p. 160; Beer, p. 233.

offer a play to the gallery, believing that the state of the Austrian finances would not permit it, and replied that the Zollverein tariff was already in need of revision and was injuring Prussian interests, hence the Austrian proposal, involving the maintenance of the existing duties until 1877, could not be entertained. The Prussian Parliament proceeded to ratify the French treaty, but Bavaria, Württemberg, and Darmstadt, rejected it. Hanover and Hesse, so important for Prussia, now declared the French treaty rejected, and said they need not consider it. Saxony proposed negotiations with Austria. There followed a great campaign throughout Germany for and against the treaty; congresses of German industrialists, agriculturalists, and merchants, as well as local associations of business men even in South Germany, supported the treaty; opposition came largely from the governments of the South German states. Austrian industry also made known its opposition to joining the Zollverein. In other words, the governments on both sides were opposing the wishes of the organized and vocal economic groups within their respective countries.¹

Bismarck now declared to the Austrian ambassador his maxim that political and trade questions should be rigorously separated, saying that the long standing political friendship between Prussia and Russia was just as independent of their trade and customs difficulties as the agreement on trade questions between Prussia and France was of their political difficulties. Rechberg said that these were "empty words" as long as the question of Austria's joining the Zollverein met so little consideration in Berlin.

Nevertheless, this view of Bismarck's was not so different from Francis Joseph's feeling that economic matters did not count. Consequently, it is not surprising to find that the height of the campaign over the French treaty synchronized with the gradual ripening of newly restored political friendship into an alliance and joint action against Denmark.²

It is impossible to go into the details of the Danish question here, but it is necessary to mention the more important developments to show how unrelated they were to the tariff question. The Duchies, as Schleswig and Holstein are called, were in

¹Zimmermann, pp. 41-45, 52; Lang, pp. 161-63.

²Chester Wells Clark, Franz Joseph and Bismarck before 1866 (Cambridge: Harvard University Press, 1934). This is a thorough study of the period.

a situation comparable to the German lands of Austria. They were parts of the Germanic Confederation, but under the rule of a monarch, the King of Denmark, most of whose domains were not. Their legal position was regulated by the London Protocol of 1852, which joined them to Denmark in a personal union, but provided for their constitutional separation from that country. The "rights and privileges" of the German inhabitants were guaranteed by a treaty between Denmark and the German powers. Consequently, when Christian XI announced a new constitution which threatened to make the Duchies an integral part of Denmark and to abridge the rights of the inhabitants, the Frankfort Diet, December 1863, passed a vote of censure and called for a punitive expedition. This created an embarrassing situation for Francis Joseph. He did not object to having Denmark forced to live up to her obligations, but the German states as represented in the diet were calling for the separation of the Duchies from Denmark on the grounds of nationalism, and advocating recognition of the Prince of Augustenburg on the grounds that he was the popular choice of the inhabitants. Nationalism and democracy were both heresies in the eyes of Francis Joseph. However, Prussia was all too ready to undertake the expedition against Denmark, and Austria could not suffer her prestige to be lowered by standing by while Prussia took action alone. The result was an agreement between Austria and Prussia, January, 1864, by which they bound themselves not to settle the future status of the Duchies except by mutual agreement. The slight importance attached by the governments to the progress of tariff negotiations going on at the time is shown by the fact that Prussia had denounced the Zollverein treaties on December 17, 1863.¹

An ultimatum was sent to Denmark requiring the new constitution to be withdrawn, and on its rejection, Austria and Prussia joined their armies and entered Schleswig, February 1, 1864. This apparent agreement between Austria and Prussia had its effect on the commercial negotiations between Prussia and the smaller states, and the latter began to doubt Austria's determination to go through with the South German Zollverein. The minor states were conferring with Prussia in February, 1864, and proposed fresh negotiations with Austria, and postponement of action on the French treaty. Austria gave them no encouragement; instead, von Hock said that

¹Zimmermann, p. 51; Clark, p. 62.

Austria, in consideration of the opposition of her industrialists, renounced the idea of a customs union. After attacks made on him by the Austrian Press, Rechberg disavowed Hock, but this wavering attitude, combined with the desire of the business classes in Saxony for the renewal of the Zollverein and the apparent defection of Hesse to Prussia, robbed the opposition of its strength, and Saxony accepted the treaty.¹

The remaining states made one final effort, and held a conference in Munich, June 18, 1864. At the same time Bismarck was plying all his levers on Hesse, and after he had conceded several striking advantages, Hesse and several minor states accepted the treaty, June 28. Austria next, July 28, indicated that she was not seeking immediate adhesion to the Zollverein but wished to guarantee her right to join at a later date.²

This demand came as a result of an intrigue against Rechberg by Schmerling and others in the Austrian cabinet who had demanded that Rechberg secure Prussia's assent to this proposal or resign. Bismarck promised to use his influence to secure the reopening of negotiations on the subject, but Delbrück threatened to resign if it were granted, and King William, in spite of urgent telegrams from Bismarck, refused to sanction it. Rechberg even failed to secure from Prussia a short extension of the time within which Bavaria and Württemberg had to accept the French treaty or withdraw from the Zollverein. Under these circumstances, the reluctant states accepted the French treaty, October 12, 1864. Meanwhile, negotiations were proceeding for the definitive treaty of peace with Denmark. Rechberg resigned on October 18 but at the Emperor's request he continued in office until the Danish treaty was signed nine days later.

The strange thing about all this is that throughout the period of the Danish War, while Austrian cooperation was so essential to Prussia (not for the war with Denmark, of course, but in case of foreign, especially French, intervention) Prussia did not concede the slightest of Austria's requests on the tariff question and did not relax for a moment her pressure on the minor states to accept the French treaty. Moreover, after the peace had been signed, when Prussia and Austria were contending bitterly over the

¹Zimmermann, p. 52.

²Ibid., pp. 54 ff.; Beer, pp. 294 ff.; Clark, pp. 135 ff.

Duchies, Prussia seeking to annex them and Austria alternating between trying to make them into a separate state, and seeking "compensation" for their annexation to Prussia in the shape of the cession of some Prussian territory to her, a commercial treaty between Austria and Prussia was signed in April, 1865, containing in the preamble a clause to the effect that both states would exert themselves to prepare a general German customs union. This clause was accepted after Bismarck pointed out that the most-favored-nation clause in the French treaty robbed it of any real significance.¹

There is no need to trace the steps by which the allies of 1864 became the enemies of 1866. It can safely be said that tariffs played no part in it.² This is clear not only from the absence of any mention of tariffs by the documents, but also from the fact that the peace of Prague which closed the war restored the treaty of 1865 without change. Zollverein business interests wished to make use of the victory to force trade concessions from Austria, but Bismarck desired a speedy peace and would not waste time on trade disputes.³ The important objectives obtained by Bismarck were the annexation of the Duchies, Hanover, Hesse, Nassau, and Frankfort, and the creation of a North German federal state, with legislative and administrative organs, from which Austria was excluded. In 1867, a treaty between this state and the South German states reconstituted the Zollverein with a Zollparlament composed of members of the North German Reichstag and members elected from the South German states.

Evidence of the strength of the Zollverein and of its hold on Germany is found in the fact that during the war of 1866, when certain of the constituent states were fighting each other, the joint customs administration continued to function without interruption.⁴

The commercial clauses of the Treaty of Prague contained a provision that negotiations for a revision of the 1865 treaty should be held as soon as convenient. It was Austria who opened

¹Lang, p. 164; Beer, p. 305; Zimmermann, p. 59, points out that the only remainder of the previous preferential system was the arrangement for the finishing trade on the Saxon-Silesian border.

²See Clark and the authorities he cites.

³Zimmermann, p. 61.

⁴Ashley, chap. iv.

the negotiations. A wave of reform sentiment was sweeping that country since the old system had been blamed for the defeat of 1866. The new Foreign Minister, Beust, was of course an advocate of freer trade. Prussia, having accomplished her political aim of ousting Austria from Germany, was willing to treat the tariff question from a purely economic standpoint, and hence agreement was not difficult. A treaty was signed March, 1868, which is noteworthy on two grounds: It contained no mention of eventual customs union, and it marks the furthest limit reached in the treaties of either country in the direction of free trade. Austria reduced duties on various items, and the Zollverein, though it did not make extensive reductions, guaranteed its rates, including free import of grain and cattle, until 1877.¹

This treaty met opposition from protectionists in the Reichsrat. The Finance Committee recommended its acceptance on political grounds.²

A General Sketch of Austro-Hungarian Tariff Policy, 1871-1914³

The preceding section covered a period during which Austrian tariff policy was so completely subordinated to foreign policy that it cannot be regarded as having had any separate existence. After 1871, however, the Austrian statesmen realized that the struggle for hegemony in Germany was irretrievably lost, and were able to consider their tariff policy as something other than a weapon in that struggle.

We shall here outline the principal factors governing the general course of Austro-Hungarian tariffs, showing its relation to the general course of the Empire's foreign policy as outlined in the first section of this chapter. It should be stated, however, that Austrian tariff policy was hardly typical of that of other great powers, for the reason that Francis Joseph never got rid of his mediaeval contempt for economic factors; consequently, when the tariff was not entirely left out of the calculations of

¹Lang, p. 167; Beer, pp. 379-83; Lotz, pp. 86 ff.; Zimmermann, pp. 62, 72-79; H. de W. Pirbright, The Austro-Hungarian Empire and the Policy of Count Beust (London, 1887).

²Lang, p. 212.

³Principal authorities for this section, in addition to those cited are: S. Matlecovitz, et al., "Beiträge zur neuesten

the foreign office, it was almost certain to be subordinated to political considerations.

The constitution of the monarchy was an important factor in its tariff relations. The period of the struggle with Prussia coincided with the period of Austrian absolutism when Hungary was ruled as a conquered province. The new orientation in tariff policy coincided with the new constitution. The Vienna statesmen had tried hard to have the tariff included in the list of things transferred to the central government. Deak, the Hungarian leader, resisted this restriction of the rights of the Hungarian State. Hence the final arrangement was that while the customs revenue should go to the central government, the determination of the actual rates was left to the individual states but included along with coinage, interstate railways, and excise duties, in a category of items to be regulated by the same principles in both halves of the monarchy. Specifically, the Hungarian constitution, Article XII, says:

"Between the lands of the Hungarian crown and the other lands of his majesty, a customs and trade pact (Zoll- und Handels-Bundnis) shall be concluded. This shall be established by a treaty mutually agreed on in the manner of other agreements between independent lands."¹

Thus the Austro-Hungarian tariff was a treaty-tariff in a double sense. According to the constitution, tariff rates were to be set by treaty between Austria and Hungary. But since the monarchy was a single state in international law, tariff rates could also be, and frequently were, set by treaty between Austria-Hungary and foreign states. It is not necessary to deal in detail with the tariffs as arranged between Austria and Hungary. In only one case did considerations of foreign policy affect the outcome. This was in 1876 when the danger of war with Russia induced Austria to renew the relatively low rates of duty previously in force which the Austro-Hungarian government had refused to grant Germany but a short time before.

The general trend of the Austro-Hungarian tariff was upward from this time to 1914, for reasons similar to those operating in

Handelspolitik Oesterreichs," Schriften, Vol. XCIII; Peez, Vol. XLIX; Rudolf Seighart, Zolltrennung und Zolleinheit in Oesterreich-Ungarn (Vienna, 1915).

¹Grünzel, pp. 113-14.

France and Germany. Growing economic nationalism, the long decline in prices in the 80's and 90's, rising tariffs in other countries, the idea of using the tariff as a bargaining device, all contributed to the growth of protection. Hungary was induced to concede the Austrian demands for protection to industry (which she had previously resisted) by the grant of protection to agriculture which was now beginning to suffer from foreign competition. As a result of these factors, the rates of the tariff of 1887-88 were from 20 to 100 per cent higher than those previously in effect.¹ The tariff of 1902, which remained in force until 1914, went still further in the direction of protection, especially for small industry.²

Interaction of Tariff Policy and Foreign Policy, 1871-1914

In the framing of the tariffs of the dual monarchy, economic considerations were dominant, and consideration of foreign policy, if present at all, are to be looked for mainly in the negotiations of the trade treaties of the period. Since the trade of Austria with the German Empire far exceeded that with any other power, her trade treaties with Germany were the most important elements in her commercial treaty system. We come now to examine the connection between this commercial diplomacy and the diplomacy of high politics.

As we have seen, the treaty of 1868 was to expire in 1877, and Austria and Hungary had agreed on a new tariff in 1876 under pressure of the eastern crisis. This tariff contained some increases and according to Zimmermann, German industry raised a cry of alarm, and the agrarians for the first time espoused protection.³

German delegates in Vienna were unable to reach agreement with the Austrians, and returned after proposing to extend the 1868 treaty one year. Since Hungary had agreed to the tariff of 1876 in the expectation of an agreement with Germany, the proposal to extend the 1868 treaty was not acceptable to the Hungarians.

¹Grünzel, pp. 50-51, 116-17; Lang, pp. 278-82.

²Grünzel, pp. 114, 117; Lang, pp. 415-28.

³Zimmermann, chap. 111, sec. i.

For political reasons Bismarck did not wish the difficulties to develop into a tariff war, but he broke off negotiations in October, 1877, with the support of public opinion in Germany.¹

At the suggestion of Vienna, the 1868 treaty was extended six months, and later to the end of 1878. Lotz finds it difficult to explain the failure to reach an agreement. He questions whether Austrian industry or the German delegates were more to blame, and feels that the matters that took up so much time in the discussion--such as that of the finishing trade in linen, the freight cars that crossed the boundary, and the Austrian bounty on sugar, could hardly have been decisive.²

It seems that each side expected the other to give way. Certainly the Austrians were surprised at the Germans' insistence on their proposals. However, Germany not only insisted, but proceeded to exert pressure by putting a strict interpretation on the finishing-trade tariff on linen, thus injuring Austrian industry. This caused a protest from Vienna, and also an offer of new negotiations. After considerable delay, Bismarck replied, suggesting further extension of the 1868 treaty. Austria rejected this, and it was not until December, 1878, that agreement was reached. Moreover, the agreement was little more than a most-favored-nation treaty, and tariff friction continued. The German tariff of 1879 contained increases that affected both Austria and Hungary, especially the grain duties and the linen duty. This latter was regarded as a direct blow at Austria, and Austria in retaliation repealed the provisions of her tariff with regard to the finishing trade.³ In other words, tariff relations were in a state just short of a tariff war. Indeed, Grünzel states that the simple most-favored-nation treaty of 1881, which followed that of 1878 and ran with extensions until 1891, was "only a veil for the tariff war which proceeded by tariff increases on both sides."⁴ Here, then, is a case in which tariff difficulties ran on unaffected by the political situation. The Austro-German alliance came into effect in 1879 as a result of long efforts by Andrassy and Bismarck. It was with great difficulty that the sovereigns were brought into agreement, because Francis Joseph did not want to commit himself against France, while William regarded it as

¹Ibid., pp. 132 ff.

²Lotz, pp. 147-48.

³Zimmermann, pp. 141-42.

⁴Grünzel, p. 48.

little short of treachery to the Czar, and it was only after Bismarck threatened to resign that William was induced to sign the treaty. William considered Russia his sure ally, and thought Austria had no more given up the idea of revenge than had France.¹

In the 136 pages of documents the editors of Die Grosse Politik thought worth publishing on the negotiations leading to this treaty, the only references to the tariff question are a suggestion from Bismarck: "Partly to give our agreement a still friendlier tone, and partly as a practical preparation and foundation for our future agreement, it is perhaps advisable that in the agreement we should include mutual assurances of the future conclusion of a trade treaty," and the reply of the German Ambassador in Vienna to the effect that this suggestion made a most favorable impression on Andrassy.²

Nevertheless, no mention of trade matters was made in the agreement, nor were they included among the arguments used by Bismarck to convince Emperor William. In fact, Bismarck had been attacked bitterly in the Austrian press for the new German tariff. He was accused of trying to injure Austria, in collusion with Russia. Bismarck's comment on this situation was, "Our political relationship with Austria does not require us to buy her friendship at the price of an injury to our producers."³

In spite of the fact that Andrassy was a democrat (he had been one of the leaders of the Hungarian revolution), he was better able to work with Bismarck than was Gortchakoff. This fact, together with the growth of Pan-Slavism in Russia and the German sympathies of the Austrians, led Bismarck to accept the Austrian alliance when it seemed that he had to choose between Austria and Russia.⁴

Following the conclusion of this Austro-German alliance, the principal subject of negotiation between the two countries, was that of restoring the Three Emperors League. Baron Haymerle, who had succeeded Andrassy as Foreign Minister immediately on the conclusion of the Austro-German alliance, had been for some time Ambassador to Italy and favored reconciliation with that power,

¹Marginalia on reports by Bismarck, G. P., III, 20, 98.

²G. P., III, 85 ff. ³Zimmermann, pp. 142 ff.

⁴Julius Andrassy, Bismarck, Andrassy, and Their Successors (New York: Houghton Mifflin Co., 1927), p. 36.

and friendship with England. Bismarck, however, wished to restore the solidarity of the conservative interests, and prevent a Franco-Russian alliance, and as the German alliance was vital for Austria, Haymerle could not well resist Bismarck's arguments. The only reference to trade matters appearing in Die Grosse Politik in the course of these negotiations, is a dispatch of Bismarck's referring to an unpublished note from Haymerle on the trade treaty. In this dispatch Bismarck called Haymerle's note "uncivil and tactless," and said that Germany was big enough to tolerate such insolence, but that if Haymerle used the same tone to the Balkan states, he would not be surprised to find the latter offended and estranged.¹

The same lack of connection between tariff matters and general policy is shown in the formation of the Triple Alliance and in its various renewals. The original treaty, 1882, and its first renewal, 1887, were concluded during the period of veiled tariff war, and there is no evidence of any connection between the political situation and the tariff question.² The explanation of this seemingly anomalous situation must be found in Bismarck's theory of the necessity of separating economic and political questions.

During the 80's there was a widespread agitation for a central European Zollverein to include the countries of the Triple Alliance, and Holland, Belgium, and Switzerland. On one occasion, Austro-Hungarian representatives suggested an exclusive most-favored-nation treaty between their country and Germany and an understanding not to make changes in their tariffs except by mutual agreement. Bismarck rejected the suggestion partly on the ground of its incompatibility with Article 11 of the Treaty of Frankfort, and partly on the ground of German economic interests. However, the idea of closer trade relations between the central powers continued to be discussed.

An international economic congress at Budapest, 1885, proposed measures preparatory to a tariff union, and in the same year the Board of Trade of Troppau circularized all the German and Austrian Chambers of Commerce on the subject. The impulse for this

¹G. P., III, 172-73; Andrassy, p. 84.

²See especially Alfred Francis Pribram, The Secret Treaties of Austria-Hungary (Cambridge: Harvard University Press, 1921), Vol. II.

came largely from rising tariffs in other countries, especially the United States and Russia, and partly from the hostility which powerful sections in Russia continued to manifest towards Germany.¹

In 1890, the impending end of the French treaties, and the enactment of the McKinley Tariff, gave the matter such importance that the monarchs discussed the situation; formal negotiations were opened in December, 1890. Denunciation of trade treaties by Switzerland, Spain, and Rumania, put further pressure on the negotiators, and agreement was reached in May, 1891.²

It will be remembered that by this time William II had become Emperor of Germany, and Count Caprivi, Chancellor.³ Caprivi believed in cementing political alliances by economic favors, and it is not surprising that this agreement on tariffs, which restored amicable economic relations between the two countries for the first time since 1877, was arrived at in the same month as the renewal of the Triple Alliance.

The Austro-Hungarian Foreign Minister of the day, Kalnoky, was a Hungarian and naturally willing to make concessions in the industrial duties in return for the lower grain duties offered by Caprivi.

However, it must not be assumed that the renewal of the Triple Alliance, as between Germany and Austria-Hungary, was dependent on the settlement of the tariff difficulties. In this, as in subsequent renewals of the Triple Alliance, the difficulties lay in the relations of Italy to the other powers, rather than between Austria-Hungary and Germany. The alliance of the latter powers was recognized as a permanent part of European relationships, and would no doubt have been renewed even if it had not been possible to settle the tariff difficulties. It is interesting to note that Bismarck, in retirement, criticised the Caprivi tariff treaty on the ground that it endangered the popularity of the political alliance with Austria-Hungary. He argued that those injured by the tariff reductions would give loud expression to their opposition, and thus injure the good relations between the empires.

¹Lang, pp. 300 ff; Zimmermann, pp. 151-54; Julius Wolf, "A Zollverein of the Central Powers," *Spectator*, December, 1891. Several authorities consider Article 11 of the Treaty of Frankfurt as the principal obstacle to tariff union, since it excluded a gradual approximation which alone was politically practicable.

²Zimmermann, pp. 155-56. ³Chap. 11.

What actually happened was not a decline in the popularity of the alliance, but such hostility towards Caprivi on the part of the German agrarians that he was forced to resign. In the German tariff of 1902, enacted in anticipation of the negotiations for the renewing of the Caprivi treaties, the agrarians were successful in inserting high duties on agricultural products.

In the subsequent negotiations, Bülow, who was an agrarian and no doubt sincerely believed the interests of Germany required a prosperous as well as a numerous agricultural population, succeeded in imposing on all his neighbors practically all the minimum rates on grain, which rates were the one original feature of the new tariff. These rates almost doubled the duty on wheat, rye, oats, melting-barley, and flour.¹ Austria accepted the grain duties and higher duties on cattle, but saddled German metal, textile, leather, and paper industries with higher duties in return. Six other treaties were submitted to the Reichstag at the same time (February, 1905), and Dawson says that of the seven, that with Austria alone was obnoxious to the German agrarians, inasmuch as it involved a modification of veterinary regulations which had amounted almost to a prohibition of cattle imports on the South-Eastern frontier.² Bülow said that it was Russia and Rumania who had objected to the veterinary regulations, and that these powers had made their modification a condition of commencing negotiations. Bülow, defending the treaties entirely on economic grounds, admitted that they were friendly to agriculture, and said that no better terms could have been obtained for industry except at the expense of agriculture, and vice versa. Noteworthy for our purposes is the fact that he made no distinction between Austria-Hungary, his ally, and Russia, the ally of France. Said he, "I reveal no diplomatic secret when I say that it was with difficulty, with great difficulty, that we succeeded in the negotiations, especially the negotiations with Russia and Austria-Hungary, in maintaining the grain duties at the height established as a minimum by this house; . . . if we had insisted on maintaining the minimum rates on timber, it would have been absolutely impossible to

¹Dawson, "The German Commercial Treaties," Economic Journal, March, 1905, pp. 107 ff.

²Ibid.

conclude treaties with Russia and Austria-Hungary."¹ Evidently, political alignments had no effect on the votes of the deputies, since the treaty with Russia was adopted by the same majority as that with Austria-Hungary. It seems that both Germany and Austria had come to regard rising duties as normal, and the influence of the government over the legislatures as limited, and hence little was expected from treaty negotiations. As no departure from protectionist principles was involved, there was no great difficulty in securing ratification.

To sum up, for Germany and Austria-Hungary, we may distinguish three periods. From 1848 to 1868, there was a period of tense political rivalry accompanied by friendly tariff relations. The tariff, or rather, the reduction of the tariff, was used as a weapon in the political struggle by both Prussia and Austria, the latter having a tariff quite different from that desired by the economic interests of the most vocal elements of the Empire. From 1877 to 1891, there was a period of veiled tariff war accompanied by political alliance and genuine friendship. From 1891 to the end of the period, there was political friendship with harmonious tariff relations.

¹Germany, *Stenographische Berichte des Deutschen Reichstags*, 1903-1905, VI (February 1, 1905), 4171-73. (Henceforth cited as *Sten. Ber.*)

CHAPTER IV

GERMANY AND RUSSIA

General Sketch of Russian Foreign Policy

The aims of Russian foreign policy during our period can be expressed in two words--territorial expansion. Minor motives, such as that of freeing Christians from the Turks, or the maintenance of the principle of autocracy, were operating with varying force at different times, but the desire to add territory to the Empire was constant and dominating. Economic considerations, whether concerning the mass of the people or the "capitalists," were of distinctly tertiary importance. Certain czars acquired a reputation for being peaceful, but in the limited sense of wishing to avoid wars with important states. Acquisition of territory in Asia went on under the most peaceful Czars. Even ministers like Count Witte, who must be considered one of the most enlightened statesmen Czarist Russia produced, who had a keen appreciation of the importance of economic factors and attributed the poverty of Russia primarily to the fact that her history had been a chain of wars, had the orthodox Russian viewpoint of expansion as the normal course of events, and made extensive preparations to share in the division of China. He differed from the militarists chiefly in his methods; he believed in peaceful economic penetration.

The explanation of this situation lies in the history of past generations, but the important fact for us is that Russia was essentially an absolutist state of the type familiar in Western Europe during the Renaissance period. In other words, Russia, politically and for the most part economically, was two or three centuries behind the west. Serfdom was just beginning in Russia at the time it was rapidly decaying in England and Flanders, and it was maintained in Russia until the latter half of the nineteenth century. All the other characteristics typical of a mediaeval situation accompanied the mediaeval economic system. The population was ignorant and superstitious; ignorance and superstition reached the highest places and showed itself with disastrous

effect in the influence of men like Rasputin in the dying days of the Empire. The church, unprogressive and unlightened, the nobility, a military caste, and the absolute monarchy with its standing army, formed a mutually supporting triad which ruled the country culturally as well as politically, and which looked upon economic considerations with contempt. The bourgeois element, the liberal element in all countries, was insignificant and despised, and the workers, to a large extent peasants who returned to their villages at the busy season on the farm, were illiterate and unorganized, and the ruling classes were too concerned with the maintenance of their privileges to join any progressive movement, since to them all reform movements smacked of revolution. About the only modern element in the situation was a growing nationalist movement, Pan-Slavism, which, though confined to small sections of the population, was one movement to which the autocracy permitted complete freedom of expression, and which at times had weight enough among the ruling classes to influence the policies of the autocracy.

Some writers maintain that autocracy ceased to exist on October 17, 1905, when the new constitution brought the Duma into existence,¹ but it can hardly be maintained that this reform made Russia a democracy. The "Fundamental Laws" could be changed only on the initiative of the Czar. The Czar had exclusive control of the administration, the ministers being responsible to him and not to the Duma. Parts of the budget were not open to examination by the Duma, and the government could legislate by decree between sessions of the Duma. Finally, of special significance for our purposes, the Czar was given exclusive control of foreign policy.

More important than the letter of the constitution was the intent of the government and the spirit in which it operated under the constitution. It is notorious that Czar Nicholas II granted the constitution only in the face of revolution, and never intended to give up his autocratic power. The Czarina, who dominated the Czar in the later years of his reign, was no less a firm believer in absolutism. Not only the beliefs of the rulers, but also the history of the Duma itself, shows this; when it proved recalcitrant, the government dissolved it and rigged the elections so as

¹Michael Karpovitch, Imperial Russia, 1801-1917 (New York: Holt, 1932), p. 74.

to secure a docile majority. The last Duma was so notoriously unrepresentative that the provisional governments of 1917, though possessing the confidence of the Duma, recognized that they lacked a popular mandate. Hence we maintain that Russia was, and remained, an absolute monarchy.

Under these circumstances, the personality of the ruler was necessarily an important factor in the history of the nation, and we shall shape our outline of the general course of Russian foreign policy around the persons of the successive Czars. The detailed relationships of Russia with the other great powers will be treated in separate sections.

Czar Nicholas I (1825-55), it will be remembered, was such a strong champion of autocratic principles that he sent an army of 130,000 men to reconquer Hungary for her legitimate ruler, Francis Joseph. It was in defense of absolutism too, that he put pressure on Prussia at different times to come to terms with Austria. The unfriendly attitude of Francis Joseph during the Crimean War was one of the historic examples of ingratitude, so much so that Nicholas was said to have died of a broken heart.

His successor, Alexander II (1855-81), with whose name is associated the reforms of the 60's, especially the freeing of the serfs, gained a reputation as a liberal, but in fact was rather a sensible conservative.¹ His experiences in the Crimean War and in the revolutionary movements of 1848, during which he had visited Berlin and Vienna, convinced him that reform was necessary to prevent revolution.

The Crimean War had revealed certain weaknesses in the Russian military machine and had considerably dimmed the prestige acquired by Russia during the Napoleonic wars, while the Peace of Paris, 1856, had imposed certain terms, such as the neutralization of the Black Sea, which Russia regarded as humiliating. Hence, aside from the unceasing expansion in Asia, the early efforts of Alexander II were directed towards recouping Russia's military strength and regaining her freedom of action in the Black Sea. The latter objective was accomplished when France was occupied with Prussia. The war with Turkey in the latter part of Alexander II's reign is part of the Anglo-Russian rivalry and

¹Paul Milioukov, Histoire de Russie (Paris: Leroux, 1933), pp. 833-35.

must be ascribed to the unwillingness of Britain to cooperate in imposing reforms on Turkey rather than to the desire of Russia for more territory. From the Crimean War to the War of 1877, Russia and Prussia were the closest of friends. During the Franco-Prussian War it was known that Russia would attack Austria-Hungary if the latter attacked Prussia, and this was remembered with gratitude by Emperor William as long as he lived. The increasing tension between Austria and Russia, however, made it difficult for Germany to remain good friends of both, and when it became evident that if it became necessary for Germany to choose between them she would choose Austria, the friendship began to cool. This coolness was partly due to the personality clash between Bismarck and the Russian Foreign Minister, Gortchakov. The latter gave Bismarck the impression that he wanted to secure for Russia a controlling place in the councils of Europe, and his claim to have imposed peace on Germany in the 1875 war scare was particularly irritating to Bismarck, who resented the implication that he seriously intended to attack France. Hence, when Alexander II died (1881), Russia was practically isolated.

Alexander III (1881-94) was a more obstinate and reactionary absolutist than his father. His internal policy was to consolidate the privileges of the nobility, and make that class the principal support for the throne. Typical expressions of his were "dégoutante libéralisme," and "constitutionnalisme funestre." A few weeks before his accession to the throne, Alexander III had married a daughter of Christian IX of Denmark, a good hater of Prussia, but her influence seems to have been outweighed by that of Giers, Foreign Minister (1882-95), who was very strongly in favor of friendship with Germany, and by the fact that Alexander III had a personal liking for old Emperor William.

Nicholas II (1894-1917) was so weak that his own views are not so important in determining events as are the views of those who influenced him. The results of this situation were especially serious in Russia because of the absence of a constitution, or rather, a conventional way of doing things. A constitutional absolutism may be a contradiction in terms, but it is both possible and highly desirable to have certain established ways of having the will of the monarch exercised. For instance, in foreign relations, if there is a Minister of Foreign Affairs, the will of the monarch should be expressed through this official. It is bad

enough to have a weak-willed monarch with advisers in violent disagreement, but it is much worse when, as was the case in Russia, that will is made known through different channels, and one organ of government can be set working at cross purposes with another. One fatal case will illustrate this. Before the Russo-Japanese War, the Czar appointed Admiral Alexeyev Viceroy of the Far East, with control of the foreign relations of Eastern Siberia. This individual provoked a Japanese attack on Russia against the wishes of the Foreign Minister.

Nicholas II was at first under the influence of his anti-Prussian Danish mother, which no doubt helped overcome his absolutist objections to the alliance with republican France. Later he was influenced by various persons in the court circle: The Viceroy of the East, referred to above; the Minister of War, General Kuropatkin; and, during the final period, his wife, who was largely influenced by the two daughters of King Nicholas of Montenegro, who had married Russian grand dukes and gained the ear of the Empress by acting as her chambermaids. It was through them that the Empress fell a victim to spiritism, which first gave great power to a certain Philippe, and later put the Empire practically under the thumb of Rasputin. Under these circumstances, the course of the Russian ship of state under Nicholas II was, in its details, the result of the more or less chance designs of influential ministers; its only general characteristic was the universal urge to expansion, mentioned above as the one ever present aim of Russian policy.¹

Outline of Russian Tariff Policy²

Russian tariff policy followed the course of that of most other continental states, passing from an almost prohibitive system through a period of falling tariffs, and back to a system of high protection.

¹Important sources in addition to those cited are: M. de Taube, *La Politique Russe d'avant Guerre* (Paris: Leroux, 1928); Serge D. Sazonov, *Fateful Years, 1906-1916* (New York: Stokes, 1928); A. Korff, *Russia's Foreign Relations During the Last Half Century* (New York: The Macmillan Co., 1922); William Leonard Langer, *The Franco-Russian Alliance, 1890-1894* (Cambridge: Harvard University Press, 1929); Vladimir N. Kokovstov, *Out of My Past* (Berkeley: Stanford University Press, 1935); Count S. Witte, *Memoirs* (New York, 1921).

²Margaret S. Miller, *The Economic Development of Russia, 1905-1914* (London: King, 1926), Part 2; Wilhelm Stieda, "Russische

The tariff of 1822 contained 301 import prohibitions and 22 export prohibitions, and high duties were levied on those articles in which trade was permitted. The earliest modifications in this system were made for the benefit of protected industry and not for the consumers or the export industries; i.e., the first mitigation was in the duties on industrial, especially textile machinery. The next series of reductions, those of 1850, 1857, and 1867, were made partly under the influence of free trade principles and partly because of pressure from the large landholders who, as exporters, were interested in lower duties.¹

The turning point in this movement was in 1876, when, largely as a revenue measure, it was decreed that from the end of the year all duties should be paid in gold. In view of the depreciation of the Russian rouble, this meant an all-round increase of duties of about one-third. Subsequent increases occurred in 1885, when duties were raised 20 per cent, and in 1891, when a further 20 per cent increase was added and duties re-imposed on iron, steel, and machinery. Witte introduced a double scale tariff, largely as a bargaining device in his negotiations with Germany.² Further increases occurred in 1900, when luxury articles were specially taxed, and in 1903, when higher duties were placed on minerals and some foodstuffs, especially tea.

Figures purporting to show the height of a tariff are of very limited value because, if unweighted, the hundreds of unimportant items completely outweigh the few dozen really significant figures, and, if weighted, the element of guesswork is very large because the proper weight must be the value of the articles that would be imported if it were not for the tariff, not the actual imports. With this caution in mind, we may notice that in the estimate of Sir Cecil Spring-Rice, Russian duties at their lowest (1868-76) averaged about 12 per cent.³

In the period immediately preceding the World War, Clapham estimated that the average ad valorem equivalent of the Russian

Zollpolitik," Schmollers Jahrbuch, Vol. VII; Karl Leites, "Russische Handelspolitische Strömungen," Weltwirtschaftliches Archiv, Vol. III, Part 1 (1914); Valentin Wittschewsky, Russlands Zollpolitik Handelspolitik und Industrie Politik vom Peter dem Grossen bis auf die Gegenwart (Berlin, 1905).

¹Miller, p. 50.

²See next section.

³Great Britain, Foreign Office, Report on Tariff Wars Cd. 1938.

duties on British export commodities was 131 per cent.¹

Miller states that the percentage relation of customs duties to value of goods imported was as follows:²

<u>Date</u>	<u>Per Cent</u>
1870	13.0
1890	28.7
1900	32.5
1912	30.0

In general, it may be said that pre-war Russia had the highest tariff of any of the great powers, higher even than that of the United States of America.

Russo-German Tariff and Political Relations

The relations between Germany and Russia furnish an interesting case of political friendship gradually changing to distrust and coolness during a period of continuous tariff friction. The circumstances call for caution in reaching generalizations as to the causal relationships in the complicated series of events. In this section we deal chiefly with the relation between the cooling of the Russo-German friendship and the tariff war of 1891-94. The related and complementary story of the Franco-Russian alliance is told in the next chapter.

It should be borne in mind that Russo-German political relations were fundamentally friendly throughout the period, in the sense that the aims of the two powers were not in conflict in any important detail. Their difficulties, including the war of 1914-18, resulted from their alliances with other powers, that of Russia with France, the unforgetting foe of Germany, and that of Germany with Austria-Hungary, the opponent of Russia in the Near East. The German and Russian ruling houses had long traditions of friendship, and a common interest in maintaining the monarchical principle of government. The long common frontier of the two countries was not a source of friction, as is so often the case, because of the fact that it ran so largely through areas inhabited by subject peoples, especially Poles, so that there was no "irredenta" movement on either side of the boundary. Instead, the

¹J. H. Clapham, Economic Development of France and Germany, 1815-1914 (Cambridge, England: University Press, 1921), p. 322.

²Miller, pp. 50-51 and footnote.

two countries had a common interest in keeping the Poles in subjection, and neither wanted any more of these somewhat troublesome subjects. It is true there was for a time in the late 80's a certain amount of ill-will aroused in Germany by Russian laws preventing alien acquisition, by purchase or inheritance, of land near the boundary, but this was insignificant compared with the boundary difficulties between most other contiguous states, and insignificant also as a factor in German-Russian relations.

There was, however, a strong nationalist movement, the Pan-Slav movement, which was continuously and bitterly hostile to Germany. This element increased in influence as the years passed. It exercised an influence in individual instances as early as 1890, when Caprivi felt that a Russo-German secret alliance did not correspond with the feelings of the peoples; by its harping on the Teuton-Slav opposition, it tended to change the Austro-Russian rivalry into Russian hatred of Germany and Austria-Hungary together.

Little need be said of Russo-German tariff relations before 1877. It will be recalled that up to this time Germany was an exporter of grain, and that consequently the Prussian agrarians, who were the politically dominant group in their country, were free traders. Up to 1865, different Prussian ministries were trying to lower the Zollverein duties in order to prevent Austria from joining that organization. Consequently, Russia was not an important consideration in German tariff policy. Since the price of grain in Germany was determined by world forces, any attempt to shut Russian grain out of Germany would merely have had the effect of diverting that much more wheat to the open markets like Liverpool and Rotterdam, so that the net effect on the price of grain in Germany would be negligible. This was particularly true in Germany because of the fact that the surplus grain producing regions were in the areas bordering on Russia. German exports to Russia were of course affected by the tariff, but in practice the effects of this were much mitigated by the extent of smuggling. A long frontier in an open country facilitates smuggling, and the notorious inefficiency and venality which characterized all phases of activity of the Russian government, with the possible exception of the secret police, had permitted this illicit trade to reach the proportions of an organized business. Shippers sending goods into Russia by smugglers were able to insure their goods against

capture, the premiums amounting to about one-third of the Russian duties.¹ Zimmermann says the loss of revenue attributable to the smuggling was estimated at forty or fifty million roubles.²

In the years following 1867, the Russian government did something to remedy this situation, and when the law requiring duties to be paid in gold came into effect (January, 1877), the customs administration had so far improved that the new regulation was a genuine and serious impediment to the German export trade.

At this time, Russia pursued the so-called autonomous tariff system, regulating her customs duties by legislation, and making no treaties which limited her freedom of action. Much of her exports went to Britain, and the free trade system of that country made tariff treaties with it unnecessary. The absence of a treaty regulating the important commercial intercourse between Russia and Germany is explained by Witte as being due to the intimate dynastic relations that had so long subsisted between the two countries. Witte states that there were ill-defined informal agreements in existence which Germany insisted on interpreting in a way that suited her, while the Russian government frequently forgot or neglected to utilize the privileges to which it was entitled.³ Negotiations for a treaty had been going on intermittently from the founding of the German Empire. In 1873, Bismarck said these negotiations would probably last as long as any of his hearers lived, since "the Russian Government is willing to make a trade treaty as long as the tariff is not mentioned."

In reply to an interpellation in the Reichstag on the occasion of the decree requiring the payment of duties in gold, Bismarck said that German trade would be little affected as the existing situation could be made but little worse. It did not commend itself to him to take advantage of Russia's difficulties (meaning the war with Turkey), as to do so might lead to reprisals later on. Moreover, Russia was asking nothing from Germany for which payment could be demanded. Bismarck did refer to the ability of Germany to put duties on Russian timber and grain, much of

¹Ludwig Lehrfreund, Die Entwicklung der Deutsch-Russische Handelsbeziehungen (Leipzig: Steffler, 1921), pp. 63 ff.

²Zimmermann, chap. iii, sec. 2.

³Witte, pp. 63-64; Wittschewsky, p. 160.

which, because of the transportation problem, could not be marketed except through Germany.¹ Lehrfreund states the Bismarck wanted to put burdens on Russian grain, timber, and cattle, but that the free trade majority in the Reichstag prevented this.

However, Germany found herself in a period of rapid transition from a grain exporting to a grain importing country. This resulted from the increasing industrialization in Germany which was taking place independent of any fall in agricultural prices, but was reinforced by the improvements in transportation and agricultural technology, especially in America, which lowered the world prices of agricultural products to such an extent that the position of German agriculture became unfavorable relative to that of industry. Under these circumstances the beginnings of the return of protection embodied in the German tariff of 1879, which included duties on grain, cattle, and wood, can be explained as a reaction to the changed situation rather than as retaliation against Russia. The tariff, however, caused bitterness in Russia, where it was regarded as the result of meanness.² The fact is that at this time intellectual circles recognized free trade as the best policy for a nation to pursue; protection was hardly respectable.

This tariff, moreover, was enacted during the period following the Berlin Congress of 1878, when the Russians were convinced that Bismarck had favored Britain and Austria at the congress and in the execution of its terms. The truth is that Bismarck did not like the Russian Foreign Minister, Gortchakoff, and was particularly irritated by the latter's interference in the crisis of 1875. Consequently, the period from 1878 to 1880 must be counted as one in which the Iron Chancellor had lost faith in his ability to maintain an impartial attitude of friendship to both Russia and Austria-Hungary. This fact, together with the fact that Britain was on the side of Austria-Hungary, and the fear that Andrassy might be succeeded by someone less favorable to Germany, caused Bismarck to conclude the alliance of 1879 with Austria-Hungary, which later included Italy and became the Triple Alliance.

¹Zimmermann, chap. 111, sec. 2.

²Lehrfreund, pp. 65 ff.; cf. Manfred Müller, Die Bedeutung des Berliner Congresses für die Deutsch-Russische Beziehungen (Berlin, 1927).

Nevertheless, this period was only a brief interlude. Bismarck soon returned to his policy of impartial defender of the peace of Europe, and was glad to accept the Russian friendly advances of 1881, and renew the Three Emperors' League.¹

The tariff friction continued in the 80's. In addition to all-round increases in the Russian tariff, there were certain items, such as the increases in the duties on chemicals in 1886 and 1891, which particularly affected German exports. Similarly, there were increases in the German duties on articles that were of special interest to Russia--wood, grain, and cattle, in the tariffs of 1885 and 1887. Germany also adopted some measures which even Zimmermann admits were discriminatory. There were the excessive duties on spirits, the invocation of veterinary regulations to prevent the importation of Russian cattle, and the closing of the German capital market to Russian state loans, to be discussed later.

Meanwhile, the political relations, to all appearances, remained quite friendly. The Three Emperors' League was renewed in 1884, and, in 1887, a secret treaty, the so-called reinsurance treaty, was concluded between Germany and Russia. The explanation of this seemingly anomalous situation appears to be that Bismarck felt that there was a conflict of economic interest about which very little could be done, and that it was better to put silent pressure on Russia rather than indulge in discussions which might become acrimonious. In other words, he was overworking his distinction between economic and political relations.

The treaty of 1887 did not restore genuine friendships. To the other sources of friction there was added a personal quarrel between Bismarck and Alexander III concerning certain forged letters relating to the Bulgarian question.²

This same year saw increases in both the German and Russian tariffs. It was later admitted by Marschall von Bieberstein, German Foreign Secretary (1890-97), that the German grain duties of 1887 were really fighting duties against Russia "which had injured us by an almost prohibitive duty on iron and a differential duty in favor of goods imported by sea."³

¹Andrassy, p. 83.

²Korff, p. 147.

³G. P., VII, 449.

From the Russian side, failure to make a vigorous effort to secure an agreement on the trade question is explained by the universal contempt with which economic matters were regarded in Russia. Witte says nothing had been done "apparently from lack of energy and interest on the part of Embassy officials." He adds that the Russian Ambassador in Berlin, Count Shuvalov, though an able diplomat, could make no headway on the commercial treaty because he wished to avoid the disagreeable friction involved, and because economic problems were alien to his personality.¹

Two other factors were constantly at work restraining Russian statesmen from making treaties which limited their freedom of action in tariff matters. In the first place, the tariff was such an important source of revenue that they wanted to be able to vary the rates to suit their fiscal needs. In the second place, they were, during most of the period, interested in obtaining a "favourable" balance of trade in order to aid them first in establishing the gold standard and later in maintaining it. Consequently, they wanted to be able to raise the duties quickly on a wide enough range of articles to effect a substantial reduction of imports.

Further, because of the fact that most of her exports were food stuffs or raw materials, Russia was less afraid of hostile foreign tariffs than were many countries whose exports were largely manufactured goods.²

Marschall, German Foreign Secretary under Caprivi and Hohenlohe, recorded some conversations he had with Schuvalov on the subject. In reply to Russian protestations of good feelings and desire to reach agreement, Marschall said that it would be quite natural if he distrusted Vyshnegradsky who, he said, had been trying for years to injure Germany economically. German financial circles even accused him of rigging the exchanges so that the rouble would be low at the time of year the Russians were selling their grain and high when they were making large importations.³

A more important change of policy initiated by Bismarck this same year (1887) was in the field of finance. He ordered Russian government bonds stricken off the list of securities

¹Witte, p. 65.

²Wittschewski, pp. 171, 176 ff., 368.

³G. P., VII (December 3, 1890), 389-90.

available as collateral for loans at the Reichsbank. This was interpreted as a veto against the flotation of new Russian loans in the German market and was accompanied by German court decisions against investment of trust funds in Russian bonds, and by a German press campaign against Russian credit. This had a more far-reaching effect on the political situation than did the tariff friction, because of the fact that France was now the only country in which Russia could secure the financial help it needed.¹

The death of William I in 1888 and the accession of William II later in the same year further injured Russo-German relations because William II was known to be in close association with a group of Russophobe officers, and his personality did not inspire the Czar with confidence. Matters became still worse in 1890 when William II forced the retirement of Bismarck, and when the latter's successor, Caprivi, influenced by the Holstein clique in the German Foreign Office, declined to renew the reinsurance treaty of 1887, in spite of earnest and repeated pleadings from the Russian Foreign Minister, Giers. The latter was in a minority, almost the only one of the Russian ministers who favored an alliance with Germany.²

Russian business circles and the leading newspapers, especially the Pan-Slav organs, were bitterly hostile to Germany. Giers gave this as a reason why he wanted a treaty, something that would bind the government in the event of his being succeeded by someone else who was almost sure to be hostile to Germany. Caprivi made this same fact a reason for refusing to sign a treaty, arguing that secret treaties that had no support in public opinion were useless. A more important reason was that he considered a treaty with Russia as too risky, felt that it was inconsistent with the spirit of the Triple Alliance, and amounted in fact to putting a mine under the Triple Alliance which Russia could explode at will by publishing the treaty with her. The following quotations from the documents explain, in as concise a form as possible, the attitudes involved.

¹Viner, The Southwestern Political and Social Science Quarterly, March, 1929, pp. 3-4.

²Serge Goriainov, "The End of the Alliance of the Emperors," American Historical Review, XXIII (1918), 324. This writer argues that relations with Austria-Hungary were decisive for Russo-German relations, and that the rapprochement between Russia and France dates from this time.

"Giers was waiting for me with impatience; though he knew that I would return without authority to renew the treaty, he still clung to the hope that a change in wording or a lengthening of the term, but not an abandonment of the treaty, would be involved.

"Although I clothed my information with all the pretty remarks that were available to me in our common monarchical interests, etc., 'so war Giers doch etwas konsterniert.'¹

"Giers again spoke of the desirability of having something in writing to make our present good relations independent of ministerial changes here. 'You know that I am the prop on which the present policy rests. There need be no treaty, an exchange of notes or of letters between the monarchs would suffice.'²

"I explained your desire for peace and the simplicity and transparency of our foreign policy, and mentioned the attitude of the Czar to the Austrian Treaty in '87. Giers was not satisfied, and returned ever again to the wish for something in writing, however general."³

The effect on Russia of this refusal was intensified by the treaty with England whereby Germany received Heligoland in return for relinquishing disputed rights in Zanzibar and Witu, and by the visit of the Prince of Wales to Berlin, and of the Kaiser to England.⁴

In April, 1891, Russia offered to bind the rates of her tariff in exchange for the German treaty tariff, but Marschall rejected the offer on the ground that the Russian duties were already prohibitive, and that Germany was therefore not interested in having them fixed.⁵

In June, 1891, it was announced that the Triple Alliance had been renewed, and certain statements made by the Italian Premier, Rudini, together with the visit of a British squadron to

¹G. P., VII, 11, Schweinitz to Caprivi, April 3, 1890.

²Ibid., p. 17, May 16, 1890.

³Ibid., p. 40, June 4, 1890. On the whole question of the non-renewal of the treaty, see Langer, The Franco-Russian Alliance, chap. 11, and Conrad Bornhak, "Das Ratsel der Nichterneuerung," Archiv für Politik und Geschichte, II (1924), 570.

⁴Langer, The Franco-Russian Alliance, pp. 75-80.

⁵G. P., VII, 394-95, 399.

Fiume, and that of Emperor William II to London, made it appear that Britain had joined the Triple Alliance. This naturally had a bad effect on Russo-German relations because of the fact that Russia and Britain were such bitter enemies. The effect was to give Russian statesmen a feeling of isolation to which their reply was rapprochement with France. On July 23, a French squadron anchored in the roadstead of Cronstadt, and there began a two-weeks' demonstration that astonished the world. The Czar listened bare-headed while the Russian band played the Marseillaise, which, a revolutionary tune, had been forbidden throughout Russia.¹

In September of the same year, negotiations for participation of German banking houses in a Russian loan collapsed, owing to a hostile press and, apparently, pressure from the German government.² In November, 1891, Giers explained to Ribot why the Czar had been twice in Germany without visiting the Kaiser. "He was too angry with Germany to be able to pay compliments to the Kaiser."³

In this same month Giers expressed his keen desire for a settlement of the trade question.⁴ Economic relations had become worse because of the trade treaties Caprivi had concluded with Austria-Hungary and other states early in 1891. These treaties probably hurt Russia more than the previous raising of the German duties. As long as the German duties were general, their chief effects were to raise prices in Germany. Doubtless all exporters of the types of goods which had to pay duties on entering Germany suffered somewhat due to the decline in the amount used and/or increased production in Germany, but in the important case of grain, German home production was not increasing as fast as consumption, so that Germany imported as much grain as ever. With the coming into effect of the treaties with Austria-Hungary and Rumania, however, prices in Germany would be brought down to the Austro-Hungarian level (plus the transportation charges and the small German duty) and Russian exporters had to bear the full burden of the tariff or seek a market elsewhere. For many parts of Russia, the latter alternative was impossible because of the transportation situation.

¹Cf. Langer, pp. 181-83, especially p. 183, footnote, where evidence is assembled which proves that it was the apparent association of England with the Triple Alliance that finally determined the Czar.

²Viner, The Southwestern Political and Social Science Quarterly, March, 1929, p. 7.

³G. P., VII, 373, footnote.

⁴Ibid., p. 401.

Early in 1892, relations had become so bad that Russian inner political circles were genuinely afraid of a German attack.¹ Russia at the time was suffering from a serious crop failure which produced famine conditions in wide areas of the country and filled the ruling classes with fear of revolution. Under these circumstances, Russia, in February, 1892, made further suggestions for settling the tariff difficulties, but received a cool reply. It appears that Caprivi himself would have been willing to grant Russia most-favored-nation treatment on grain in return for a reduction of the Russian duty on iron and textiles but that Holstein had opposed all concessions. The reasons for this attitude of opposition were two: Fear of offending the Austrians, and hope that the Russian menace might be removed by the economic and political disintegration of the country.² The tension between Russia and Germany was relieved by the meeting between the Czar and the Kaiser in June, 1892, and in July, Russia resumed negotiations on the trade treaty by asking for a list of articles on which Germany required reductions, as compensation for the German treaty tariff. The preparation of the reply was delayed by the opposition of the agrarians. Stormy debates took place on the subject in the Reichstag and the Prussian House of Deputies, and it was not until March, 1893, that the German reply was sent to Russia.³ In the meantime, the Kaiser had found an opportunity of showing his good will to the Czar by acceding to the latter's request to have General Werder succeed von Schweinitz as Ambassador to St. Petersburg. In fact, it seems that Germany, after the defeat of the Conservatives in England in the summer of 1892, had returned to the Bismarckian policy of friendship with Russia. There is some evidence that the non-renewal of the reinsurance treaty in 1890 was due to the anti-Bismarck clique in the Foreign Office, who wished to discredit the ex-chancellor by attacking his policy,⁴ and it may be that the return to that policy was merely the resumption of

¹Ibid., pp. 372, 381. These fears were entirely groundless. The Kaiser's note on the dispatch was, "They are crazy!" ("Sie sind toll!")

²Langer, The Franco-Russian Alliance, p. 228.

³G. P., VII, 443, footnote; Schulthess, Europäischer Geschichts-kalendar (Munich: Duncker, 1893), pp. 99 ff.

⁴Cf. Langer, The Franco-Russian Alliance, chap. ii, especially pp. 49 ff.; Gooch, "Baron von Holstein," Cambridge Historical Journal, I, 61-84.

the position dictated by the underlying and enduring international relationships. Whatever the explanation, the fact is that in addition to appointing General Werder, the Kaiser pleased Russia by preventing Ferdinand of Bulgaria from marrying a Bavarian princess, and gave further evidences of friendship on the occasion of the visit of the Czarevitch to Berlin in January, 1893. These events apparently had a soothing effect on Russian nerves, for the Czar expressed no alarm at Caprivi's speech to the Reichstag in January, 1893, in which the German Chancellor supported his military estimates by referring to the possibility of a war on two fronts. The Czar said he understood that this was parliamentary tactics and no evidence of hostile intention.¹ Nevertheless, there were press rumors of the intention of Russia to attack Germany in the spring, and in April, Giers expressed regret that Germany had not sought closer relations with Russia before forming the Triple Alliance. "But you did just the opposite. Bismarck drove us into the arms of France, especially by his financial measures."²

In June, Russia concluded a tariff convention with France, and in July, Witte suggested a provisional agreement with Germany by which Russia would grant the concessions made to France, and certain further reductions, in return for the German treaty tariff and a more liberal interpretation of the veterinary regulations. Germany rejected this on the ground that the concessions made to France were by Russian admission "insignificant." The German reply also declared that a cattle convention would be impracticable, and insisted on a reduction in the Finnish tariff. The Russian government expressed willingness to drop the question of the cattle convention, and suggested a conference. On June 28, the German government stated that a conference could be successful only if Russia accepted all the German demands, and said that, in any case, the conference could not meet before October 1. In anticipation of a tariff war, Witte, Minister of Finance from 1892, introduced a measure providing for a double schedule tariff on the French model. This had met spirited opposition from Giers, but when Witte explained that it was more for persuasive effect than for retaliatory execution, he won the support of the Czar, and the measure was enacted.³ However, when he received the above unsatisfactory reply from Germany, Witte announced that the

¹G. P., VII, 418.

²Ibid., p. 433.

³Witte, p. 66.

maximum tariff would be applied to German goods after August 1. Germany then subjected Russian goods to a 50 per cent surcharge, and Russia replied with a similar increase in her duties.¹

Late in July, when it became evident that a tariff war was inevitable, Marschall expressed a desire that the Czar should have faith in Germany's wish to reach an agreement. In reply, Giers said the Czar could not believe that the tariff war would have any harmful influence on their friendly political relations. Giers requested the Minister of Interior to instruct the press not to publish any "hate" articles against Germany on the subject.²

Nevertheless, feelings became bitter. Spring-Rice states that the tariff war "was regarded by both parties as likely to lead to a state of affairs dangerous to the peace of Europe."³ Witte relates how he was shunned by everybody at a great public gathering. "Rumors flew to the effect that I had drawn Russia to the brink of war, and that Germany's inflexibility would inevitably result in conflict."⁴

However, the tariff war must be regarded as a temporary estrangement and not as a significant factor in the long-run relationship between the two powers. This is explained by the fact that the tariff war from the Russian side was the work of Witte, and was strongly opposed by Giers, the Foreign Minister, who remained a convinced adherent of a policy of friendship with Germany. The Kaiser, too, was anxious to maintain good relations with Russia, and the subsequent passage of the Russo-German Trade Treaty through the Reichstag was largely due to his efforts. He feared that war would break out in three months if the treaty were rejected, and said he had no desire "to wage war with Russia on account of a hundred crazy Junkers."⁵

Langer states that "Russia and Germany were, if anything, on closer terms in the winter of 1893-94 than they had been since

¹Langer, The Franco-Russian Alliance, pp. 304-6; Zimmermann, chap. iii, sec. 2; Witte, p. 67.

²C. P., VII, 444-45.

³Great Britain, Blue Book on Tariff Wars, Cd. 1938, p. 46; Ashley, pp. 70 ff.

⁴Witte, p. 68.

⁵Langer, The Franco-Russian Alliance, p. 384; Alfred Graf von Waldersee, Denkwürdigkeiten (Stuttgart, 1922), II, 306.

the dismissal of Bismarck."¹

Naturally, both countries suffered severely from the duties which by this time had reached almost prohibitive heights on both sides. The decline in certain Russian exports to Germany can be seen from the following figures:

	<u>1891</u>	<u>1893</u>
Wheat	7,000,000	200,000
Rye	7,000,000	900,000
Barley	3,000,000	2,000,000
Oats	1,000,000	83,000

German exports to Russia fell off correspondingly.² The trade figures give some basis for the German claim that the Russian tariff in 1891 was already almost prohibitive on many articles of German manufacture, since Russian exports to Germany were valued at 578,000,000m while imports from Germany were only 145,000,000m.³

Negotiations were resumed in October, 1893, and agreement reached in February, 1894. The resulting treaty gave Russia the rates of the German treaty tariff, and regulated the freight rates on Russian grain which was to go by rail to German harbors, in return for a wide range of reductions in the Russian tariff of 1891, besides the repeal of the fighting duties.

Both sides claimed they had won a victory,⁴ but both looked at it from a mercantilist point of view, considering the reductions in the duties of the other country as gains and their own reductions as losses. Emperor William II made the most sensible utterance to be found in the current literature on the subject when he said that the treaty, with its predecessors, formed a monumental achievement which should serve as an example for all Europe, "for the mutual closing of markets would mean the ruin of Europe." William welcomed the treaty on political grounds also: "Good political relations cannot exist permanently between countries whose economic relations are bad."⁵

¹Langer, The Franco-Russian Alliance, pp. 352-53.

²Lehrfreund, pp. 69 ff.; George Tischert, Fünf Jahre Deutscher Handelspolitik (Leipzig, 1898), pp. 221-31.

³Schulthess, p. 102.

⁴Witte, pp. 62, 69; Zimmermann, chap. iii, sec. 2.

⁵William's remarks before the crown council meeting at which the treaty was approved (G. P., VII, 451).

Caprivi said the treaty justified itself on economic grounds alone but went on to argue that it harmonized with the paramount objective of German foreign policy, that of maintaining peace.¹

The Austro-Hungarian Foreign Minister, Kalnoky, attached great importance to the treaty as an indication of the Russian desire for peace. The reports from St. Petersburg and Kiev were enthusiastic in describing the change for the better in Russian feeling for Germany, although the Consul in Kiev questioned whether the treaty would have any permanent effect on relations between the two countries. "Twenty years of press activity cannot fail to have its fruit. Hate of Germany and admiration of France has become the fashion, and is widespread even among the masses of the people."²

Several Russian papers noted its political significance, calling it a guarantee of peace and calling the tariff war a preface to open hostilities.³

The treaty of 1894 was to run until 1904, and little need be said of either political or tariff relations in the interval. In spite of some difficulties arising from the interpretation of the veterinary regulations in 1898, the agreement was generally satisfactory to most groups in both countries. The German agrarians, of course, were bitterly hostile, and their hostility was a large factor in causing the retirement of Caprivi.

The reactionary views of the agrarians are clearly reflected in the writings of Waldersee, thus: "In the trade treaties with Austria and Italy we were to help our friends. Now we are to do the same for our foes. Noble and Christian! More could not be desired. . . . Our treaty with Austria was to create a mid-European customs alliance directed against Russia. Russia declared a tariff war and we lacked the determination to see it through although circumstances were such that Russia would have had to give in."⁴

Caprivi's successor, Hohenlohe, was considered a Bismarckian, and during his tenure of office (1894-1900), Germany followed

¹Sten. Ber., February 27, 1894; Schulthess, p. 85.

²G. P., VII, 453-47. ³Wittschewsky, pp. 162-63.

⁴Waldersee, pp. 305-6, 317.

The policy of friendship with Russia while maintaining the Triple Alliance. Prince Hohenlohe was quite old when he became Chancellor, and the Kaiser was to a large extent his own Foreign Minister during this period. The Kaiser used his influence over the weak-willed Czar, Nicholas II (1894-1917), in an attempt to draw Russia away from France. The Czar was nervous in his presence, feared him, and disliked his attempts at domination.¹

William apparently discovered that his patronizing attitude was resented, and gradually adopted a different and more flattering tone in his correspondence with the Czar. This, together with the stand of the German government during the Russo-Japanese War, induced Nicholas to remark that William was the only true friend he had.

The treaty of 1894 expired in 1904 at a time when the unfavorable outcome of the war with Japan was already clear. Both nations had increased the rates of their general tariffs in preparation for the negotiations that were expected to lead to a renewal of the treaty. The Reichstag, as already explained,² had prescribed certain minimum rates on grain below which the government was not to go in its treaty. It was these grain duties that were the principal difficulty in the negotiations. Two conferences in 1903 failed to come to an agreement, but in July, 1904, an agreement was reached which was to run until 1917.

Under this agreement the German tariff was higher than that of 1894 by 43 per cent on rye, 57 per cent on wheat, 76 per cent on oats, and 100 per cent on malting barley. Germany made concessions only on feed barley and wood. On the other hand, the Russian tariff rates on iron, machines, textiles, drugs, dyes, leather, and copper, were higher than before.

The Russian writers are unanimous in their contention that Germany took advantage of the misfortunes of Russia to "impose" this treaty on her. Thus Korff says,

"Russia was in the depths of defeat--helpless. Germany took the opportunity to enforce her will and replace the 1894 treaty with one in which she had all the advantages. This action could not be forgotten in St. Petersburg, and the consequences of it were still felt in 1913-14. It helped

¹Korff, pp. 156-57; Andrassy, p. 280.

²See chap. 11, pp. 15-25, above.

creates the belief that no real friendship existed between Russia and Germany.¹

Witte, who, as Russian Finance Minister, conducted the negotiations, says, "Unscrupulously taking advantage of our unfortunate situation, Germany refused to renew the compact on the old conditions and extorted highly important concessions which we certainly should never have yielded under normal conditions."²

An agrarian member of the Russian Duma is quoted as saying, "The German trade treaty was perhaps more unfortunate than the Japanese War."³

A leader of the Pan-Slavs stated, "Germany sold its neutrality in the Japanese War for the measureless advantages of its trade treaty. Only by denouncing this can the national economy guard itself from further deep injury."⁴

I submit the following evidence in support of the view that the Russian interpretation has very little foundation. In the first place, the policy of agricultural protection had been definitely victorious in Germany as indicated by the minimum duties enacted by the Reichstag which were the principal source of friction in the negotiations. These rates had been provided for in December, 1902, when there was no expectation of a war, much less of a Russian defeat.

In the second place, these same rates of duty on grain applied to supplies coming from Germany's ally, Austria-Hungary, and, as pointed out in the section dealing with the relations between Austria-Hungary and Germany, Bülow made no distinction between Austria-Hungary and Russia in defending the treaties. If anything, his remarks indicated that he had more difficulty in reaching agreement with Russia than with Austria-Hungary. Thus, after referring to the difficulty of reaching agreement "with Russia and Austria-Hungary," he added, "a more liberal interpretation of the veterinary regulations was not merely demanded, but

¹Korff, pp. 154-55.

²Witte, p. 72.

³Karl Leites, "Russische Handelspolitische Strömungen," Weltwirtschaftliches Archiv (1914), Vol. III, Part I.

⁴A. Fischel, Der Panslavismus bis zum Weltkrieg (Berlin, 1919), p. 497. This statement, of course, is ridiculous. German neutrality was in no way connected with the tariff question.

was made a condition of negotiating by Russia and Rumania.¹

In the third place, neutral observers at the time did not regard the treaty as an outstanding victory for Germany. Thus Dawson said:

"The Russian tariff has dropped most of the concessions won for German industry by Caprivi, and in many cases the duties are from 30% to 50% higher. German exports will suffer. The only material concession from Russia was the abandonment of the differential treatment of certain sea-bound (sic) imports, especially iron, which Russia had threatened by way of reprisal."²

Finally, the rates of duty on German exports to Russia, that were finally written into the treaty, were very similar to those contained in a report of the Russian Ministry of Finance, prepared before the passage of the new tariff, showing the changes in duties required by the National Industry. The articles on which Russia made substantial reductions were principally those of slight importance or those in which Russian producers seemed able to hold their own. Russia was able to apply their so-called "parity principle," by which they raised the rates on imports equal in value to those Russian goods on which Germany had raised her duties.³

Still more clearly at variance with the Russian thesis is the following report of Bihourd, the French Ambassador in Berlin, who wrote:

"Circumstances imposed on the conclusion of the treaty. On one side, the war in the Far East counselled the Czar against international complications of an economic order and against alienating the good disposition of the German government; on the other side, the effect of Russo-German agreement on the tedious negotiations with Austria-Hungary and Switzerland, and the political effects, were such as to influence the Chancellor. Bülow knows that his fate is at the mercy of Russia, for the agrarians irritated by a defeat, could make his position untenable. Osten-Sacken knew, as he told me,

¹Sten. Ber., VI (February 1, 1905), 4171 ff.

²Dawson, "The German Commercial Treaties," Economic Journal, March, 1905, p. 109.

³Wittschewesby, pp. 370-75.

what an advantage this gave him over Bülow. If Russia had to accept the increases in the German grain duties, she obtained compensation in the form of increased duties on certain German industrial exports. Osten-Sacken did not go into detail, but said the German Parliament, in view of the advantages gained by the Russian negotiators, might hesitate to approve the treaty."¹

Osten-Sacken, as Russian Ambassador to Germany, was in a position to know the facts of the case, and there would not appear to be any reason why he should misrepresent them to his French colleague.

I conclude, therefore, that the terms of the treaty were little, if any, affected by the misfortunes of Russia. In more favorable circumstances, Witte might have fought another tariff war, but it is unlikely that he would have been able to get much better terms thereby. It can be shown that all the subsequent conflicts that developed between the two powers were the result of their alliances, and did not spring from any definite Russo-German antagonism.

The Russian ministers who nullified the Treaty of Björko did so because of its obvious incompatibility with the Franco-Russian alliance, rather than from hostility toward Germany. They would have favored a continental combination against Britain if it could have been arranged.² In 1908, there would have been no opposition to Izvolski's Straits scheme in Berlin. In 1910, came the Potsdam agreement in which Russia and Germany settled their differences with regard to the Bagdad Railway and its connections with Persia.³

To sum up for Russia and Germany, we may distinguish three periods; First, there was a long period of political friendship coinciding with tariff friction. Then came a period of cooling friendship going to the point of mutual fear of attack, and of the alliance of each country with the enemy of the other, during a time when tariff friction became worse and culminated in a tariff war. Finally came a period of satisfactory tariff relations coinciding

¹D. D. F., Ser. II, V, No. 291, July 30, 1904.

²Korff, p. 160; Witte, p. 296.

³Langer, The Franco-Russian Alliance, p. 406.

with political relations that were untroubled except by the repercussions of their alliances. The tariff friction, though it synchronized with the political estrangement, was of relatively slight importance as a causal factor, compared with personality clash, the financial factor, the change in Germany's alliance policy, or the relation of Britain to the other powers.

CHAPTER V

FRANCO-RUSSIAN POLITICAL AND TARIFF RELATIONS

The general outlines of the tariff policies and foreign policies of France and Russia have already been given. It remains to consider the interactions of tariff and foreign policy in the relations of the two countries. The tariff was of relatively little importance in the relations of the two countries for two reasons.

In the first place, trade between them was a small fraction of the trade of either country. The trade of Russia with Germany and Britain far exceeded her trade with France. Consequently, since Britain's free trade policy made commercial treaties with Britain unnecessary, Russia's trade relations with Germany played the leading role in her commercial policy. Most of the French trade was with her neighbors and overseas countries. In the year 1892, for instance, French exports to Russia were valued at forty-one million francs compared with exports to Belgium of four hundred million francs and to Britain of one billion francs.¹ The tariffs of France and Russia prevented trade between them from reaching the proportions it otherwise might have attained and, again owing to geography, French exporters were denied the opportunities for smuggling that were for a long period available to the Germans.

In the second place, there was no period during which both countries arranged their tariffs primarily by the treaty method. It will be recalled that France abandoned the general-conventional system and adopted the so-called autonomous maximum-minimum system in 1892. Russia, on the other hand, had followed this latter policy from the eighteenth century.

For the foregoing reasons, historians are entirely justified in paying little or no attention to trade or tariff relations in the hostility that existed between the two countries until near

¹Comte de Bismarck, "Le Nouveau Traité de Commerce entre la France et la Russie," Journal des Économistes, May, 1894, pp. 192 ff.

the end of the nineteenth century.

The conflict between Napoleon III and Russia concerning the Eastern question, which culminated in the Crimean War, was not related to tariff friction, nor was Napoleon's support of the Poles in the 60's. Those questions dominated the political relations of the two countries during the second Empire. Their commercial relations were governed by a simple conditional most-favored-nation treaty concluded June 14, 1857. This treaty ran for a ten-year period and remained in force by virtue of the usual tacit renewal clause until denounced by Russia in 1872. The cause of this action by Russia was the French law of that year imposing flag dues on the ships of all nations not exempted by express treaty stipulations.

A new treaty, this time a simple unconditional most-favored-nation treaty, was reached in 1874. This treaty, in the eyes of the mercantilists, represented a great concession on the part of France because Russian goods in the absence of a treaty were subject to the high rates and numerous prohibitions contained in the old French general tariff, whereas Russia did not have a double column tariff at the time so that the absence of a treaty made no difference to the rates of duty charged on French goods.

However, the leading statesmen of France at this time, with the exception of Thiers, were not mercantilists and consequently, were able to see that the admission of Russian goods to French markets on equal terms with goods from the rest of the world would redound to the benefit of French consumers.

In addition to these benefits to consumers, France received guarantees of fair treatment in certain other matters, especially shipping, consular privileges, and laws relating to inheritance of property.

The political relations of the two countries at this time were quiescent but distinctly not friendly. France had suffered a temporary loss of power and prestige as a result of the war of 1870-71 and consequently was not in a position to press her point of view in world politics with any degree of force; hence the quiescence. But the war had not changed the attitude of France toward the Eastern question, and this was the question that primarily affected Franco-Russian political relations. Furthermore, the change of government in France had added another source of antipathy between the two countries. Napoleon III was regarded

by the autocrats of eastern Europe as an upstart not at all on a par with the monarchs who belonged to the old dynasties, but still he was a monarch and after some hesitation the eastern rulers decided to address him as "brother." The French Republic, on the other hand, was anathema to the autocrats, especially to the Czars, to whom "Republican" meant very much what "Communist" means to certain individuals at the present time. This feeling of the Czars was enhanced by the fact that many Russian revolutionaries had taken up residence in France and the French government regarded them as political offenders, a category quite distinct from other criminals, and not subject to extradition. Two of them, Hartmann and Kropotkin, had been implicated in plots to assassinate Alexander II. Kropotkin was convicted of murder in the French courts but was later pardoned. Alexander III took this as a personal offense. A minor source of irritation was the French law exiling the royal princes and pretenders.¹

This situation, in which political relations were passively unfriendly, and commercial relations governed by a simple most-favored-nation treaty, lasted until 1890. It is true that Flourens, French Minister of Foreign Affairs from December, 1886, to April, 1888, had made some attempts to bring about a Franco-Russian alliance.² It is true also that Alexander expressed his gratitude to French bankers for "freeing Russia from dependence on Berlin"--in other words, for loans totalling over three billion francs in the years 1888 to 1890.³ As pointed out in the preceding chapter, however, it required an unusual series of events to induce the Czar and his Foreign Minister, Giers, to accede to the desires of the French statesmen for an alliance.

Without attempting to go into all the evidence on this subject, we may list the factors that were of greatest importance. These factors must be read in connection with the factors that caused Russo-German estrangement, but must not be considered identical with them, because of the generally recognized fact that if Germany should find herself at war with Russia (or any other great power, for that matter), France would attack her. As Münster

¹Korff, p. 7.

²Emile Flourens, Alexandre III, sa Vie, son Oeuvre (Paris, 1894).

³Viner, The Southwestern Political and Social Science Quarterly, March, 1929, p. 5.

reported to Caprivi from Paris, "I doubt the news quoted from the 'Morning Chronicle' of a Franco-Russian alliance. A general whom I know said to me, 'Les Russes regardent la république française comme une cocotte que l'on peut avoir quand on la désire sans mariage.'"¹ We must, therefore, account for the positive action of the Russian government in concluding the alliance of 1891 and the military convention of December, 1893, to January, 1894.

In first place must be put Russia's financial needs. The Russian government found that a political understanding was the price of continued access to the French money market.² Bismarck's action in closing the Berlin money market to Russia was of some significance in that it made Paris the only place to which Russia could turn, and Giers said that it had driven Russia into the arms of France.³ However, in view of the tremendous sums required by Russia, the German market would have been unable to go far in supplying them, and Russia would have been forced to get most of her accommodation from France in any case.

The non-renewal of the reinsurance treaty was also a factor. Indeed, Bismarck repeatedly ascribed the Franco-Russian entente to the breaking of the wire to Russia.⁴ However, as Langer shows, it was not so much the non-renewal of this treaty as the apparent association of Britain with the Triple Alliance that induced the Czar to agree to an entente in 1891. Indeed, Russia rejected advances made by France after Germany had refused to renew the treaty.⁵ Of course, it was the apparent change in Germany's position that was significant for Russia. Bismarck, who had made it clear that he intended to defend Austria's position as a great power, but that aside from that he had no interest in the eastern question, repeatedly urged an Austro-Russian agreement and was inclined to be pro-Russian in the Anglo-Russian rivalry. Under the new Kaiser and his new chancellor it appeared that Germany was going over to the side of England.

¹G. P., VII, 193; cf. Langer, The Franco-Russian Alliance, pp. 148, 192-314.

²Gooch, History of Modern Europe, 1878-1919 (New York, 1923), p. 165.

³G. P., VII, 433, Werder's report to Caprivi, April 30, 1893.

⁴G. P., VII, 43, footnote.

⁵Langer, The Franco-Russian Alliance, pp. 146-48, 181-83, and footnotes.

Thus it was a feeling of weakness and isolation that induced the Czar to make the agreement of 1891. When the British Prime Minister, Salisbury, announced that he knew nothing of the terms of the Triple Alliance and when the French fleet returning from Russia was given a great welcome in England, the Czar evidently concluded that Germany and England were not in any close agreement, and thereafter showed great reluctance in going further with the negotiations for alliance with France. This reluctance was increased by the return to power in 1892 of the English Liberals under Gladstone, whose desire for peace and dislike of Austria and Turkey were recognized.

The agreement of 1891 should hardly be called an alliance, since it merely stipulated that in case the peace were threatened, or one party menaced by aggression, the two parties should agree to concert measures. France naturally wanted this agreement supplemented by a definite military convention, but it was not until the end of 1893 that the Russian government consented to this further step. The reason for this hesitation is quite plain. France was interested in Alsace-Lorraine, her foe was Germany; she was not ready to support Russia in the Near East or against England. Russia was interested in expansion, her chief foes were England and Austria, especially England; she was not willing to encourage the French revanche policy. These differences in fundamental aims explain the fact, at first glance somewhat paradoxical, that while fear and general tension induced the step of 1891, the military agreement of 1893-94 was reached largely because a state of tranquillity had been reached on the continent. The principal items in this development were as follows: First, the more friendly attitude of Germany towards Russia outlined above; second, improving relations between France and Germany as evidenced by the treaty of 1894 in which Germany turned over to France a large area in Central Africa which Britain had conceded to Germany in order to prevent it falling into the hands of France; third, the change in direction of Russian ambitions from the Near East to central and eastern Asia.¹

As a final impulse, there was a change in the attitude of France towards Britain. Hitherto, although the two powers were rivals in many colonial areas, France had not been willing to take

¹Ibid., pp. 352-53, 316.

a firm stand against Britain. In March, 1893, however, Develle became Minister of Foreign Affairs in the Dupuy Cabinet and immediately embarked on an anti-British policy. These developments apparently changed the question in the minds of the Russian government from "why should we?" to "why shouldn't we? In other words, while the positive reasons for accepting the French alliance had not changed except in the matter of the French attitude toward Britain, the feelings of danger that had been restraining the Russians had largely been dissipated. Whereas in 1891 France regarded Germany as her foe and was unwilling to oppose Austria and England, Russia's foes, by 1893, Germany and Austria were not so much in the picture and there had arisen a logical basis for a Franco-Russian alliance, namely their common antagonism to Britain.¹

Another factor which was continuously at work, although it is not easy to estimate its strength or get direct evidence of its influence in any particular situation, was Russian nationalism or Pan-Slavism. This movement, unlike the nationalist movements in Western Europe, was not a liberal or democratic movement, but was strongly absolutist in politics. For this reason its agitation was given almost complete freedom, and since the expression of almost all other political thought was suppressed, the fulminations of the Pan-Slavs passed for Russian public opinion. Since its adherents belonged largely to the ruling classes, it frequently exercised a determining influence on public policy.² The Pan-Slavs and consequently "Russian public opinion" were continually hostile to Germany and strong advocates of alliance with France. The fact had its effect on Czar Alexander III, who was much less disappointed than was Giers at the German failure to renew the reinsurance treaty, since he felt that it no longer had the support of public opinion and that if he lost the support of public opinion in foreign policy, he would lose everything.³

¹Ibid., pp. 347, 355 ff.

²Cf. Heinrich Friedjung, Das Zeitalter des Imperialismus, 1884-1914 (Berlin: Neufeld, 1919), I, 27, 28; Wilhelm Köhler (ed.), Revanche-idee und Panlawismus, Vol. V of the collection, Zur Europäischen Politik, ed. Bernhard Schwertfeger (Berlin, 1919).

³Hans Übersperger, "Abschluss und Ende des Rückversicherungs-vertrages," Die Kriegsschuldfrage, V, 964-66, 939. The Czar is quoted as saying, "I used to think it was only Katkov, but now I feel that it is all Russia."

We have thus explained the conclusion of the Franco-Russian alliance without reference to their trade relations. The latter remained on the basis of reciprocal most-favored-nation treatment until 1893. In June of that year a commercial convention was signed in which France reduced her duty on Russian petroleum by 50 per cent, in return for the reductions, running from 10 per cent to 20 per cent, on certain goods of special interest to French exporters.¹

In order to interpret this treaty, we must remember that protection had won a complete victory in France and that the great reduction in the duty on petroleum was regarded as a sacrifice on the part of France. To be sure, France had no oil wells so that the duty on crude oil might have been regarded as a revenue duty, but the spread between the duty on crude oil and that on the refined product was reduced 50 per cent, thus reducing the protection afforded the French refiners; and the oil, in some of its uses, came into competition with certain domestic oils of agricultural origin to such an extent that a representative of agriculture estimated the loss to the producers of oil seeds at thirty-seven and one-half francs per hectare.²

However, even admitting that the treaty involved a sacrifice from the protectionist point of view, it might still be argued that the loss was outweighed by the gains to be derived from the reductions conceded by Russia. These reductions, though not so great in any one case and though not made on any single item of so much importance to France as was petroleum to Russia, were still substantial and covered several articles. Hence protectionists might claim that the treaty was entirely justified on economic grounds, especially since France at the time was engaged in tariff wars with Switzerland, Italy, and Spain.³

¹G. de Molinari, "Chronique," Journal des Economistes, July, 1893, pp. 152 ff.

²Ibid. This estimate is absurdly high because there is no particular small area especially suited to the production of oil seeds; they take their place among other crops, competition among growers prevents monopoly profits, and there is not a large enough fraction of the land of the country used for their production to make a fall in their price produce a great fall in the rent of agricultural land.

³Karl Petermann, Der Zollkrieg als Kampfmittel der äusseren Wirtschaftspolitik (Stuttgart: Enke, 1934), pp. 97-99.

However, most writers considered the treaty as part of the French campaign to secure the alliance with Russia. Thus, the Journal de Genève at the time commented: "Everything that was said about the inviolability of the system invented by M. Méline and his friends has been completely forgotten, and all these so-called sacred dogmas have been gaily sacrificed to the phantom of the Russian alliance."¹

The fact that France made an important departure from the rates of her autonomous tariff in this convention, while she waged costly tariff wars with other countries rather than do so, indicates that economic motives were not the only ones at work. Certainly the French press hailed the treaty as a great political victory, and when the Russo-German treaty was announced, there was a storm of resentment in Paris in spite of the fact that French exporters got the benefit of the reductions in both German and Russian tariffs by the operation of the most-favored-nation principle.²

This convention was a radical departure from the previous commercial policy of Russia, but it is not necessary to invoke political motives to explain the action of Russia. Practically all nations that did not accept free trade principles had some form of a double scale tariff--a lower scale which applied to goods of countries enjoying most-favored-nation treatment and a higher scale, usually intended for bargaining, which applied to the goods of other countries. To a mercantilist like Witte, the advantages of such a double system of rates were quite obvious. The convention with France was made in the conviction that, in view of the newer forms of tariffs in force in Western Europe, Russia could no longer maintain a single scale tariff.³

The convention with France was meant to inaugurate a double scale tariff of the German or general-conventional type. The fact that the change in policy was first manifested in the agreement with France is of no significance. If the German negotiators had been willing to accept similar reductions, the new policy would have found its first expression in a treaty with Germany.

¹Molinari, p. 153.

²Langer, The Franco-Russian Alliance, p. 313, footnote; Zimmermann, chap. iii, sec. 2.

³Wittschewsky, p. 153.

Whatever the motives of the parties in making the treaty, there is no evidence that it had any significant effect on the negotiations leading to the military convention of 1893-94.

Little need be said of the remaining years of the period. Trade between the two countries continued to be a small fraction of the total trade of either. Their tariff relations continued to be regulated by simple most-favored-nation treaties which did not deal with tariff rates on individual articles. On the other hand, there were no tariff wars and no unsuccessful attempts to negotiate trade treaties.

Under these circumstances there is no need for lengthy consideration of the reasons for the continued political friendship of the two countries. The main factor was the common opposition to the Teutonic powers, which in both France and Russia came gradually to be regarded as a unit, so that Russian opposition to Austria extended to Germany, and French opposition to Germany extended to Austria. Another important factor was Russia's great need for financial help, which was furnished by France at rates considered by outsiders to be unjustifiably low. This factor was dominant in certain specific cases, notably in the attitude of Russia at the Algeiras conference.¹

Summing up the case of France and Russia, we may distinguish two periods. The first, from 1855 to 1890, was a period of political hostility combined with peaceful if not entirely satisfactory tariff relations. The second period, from 1890 to 1914, was one of political and tariff friendship. Political considerations were present in the conclusion of the commercial convention of 1893, but tariff questions played a negligible part in the political relations of the two countries throughout the period.

¹Viner, *The Southwestern Political and Social Science Quarterly*, March, 1929, p. 10, footnote quoting Grey to Bertie, January 15, 1906; B. D., III, 178: ". . . I think better of them [England party politics] now that . . . Russia has demanded a loan on improper terms as the price of her support [of France at the Algeiras Conference]. The mud of foreign politics is deeper than any I have been in yet."

CHAPTER VI

AUSTRIA-HUNGARY, RUSSIA AND SERBIA

Austro-Russian Relations

Were it not for the Eastern question, Austro-Russian relations could be disposed of very quickly because tariff matters played such a minor role that there is little to be said on the subject. However, since the Austro-Russian antagonism led to the World War, it has a great interest for students, and since the Serbian question was the root of Austro-Russian hostility, it becomes necessary to go beyond the general scope of our topic and discuss one of the minor states. It will be found that Austro-Serbian relations furnish another good case for the study of tariffs and politics.

The principal points in Austro-Russian relations need only to be recalled in order to show that tariffs and all other economic considerations played a small part in them. After a period of friendship based on common adherence to monarchical principles, which culminated in the dispatch of 130,000 Russian troops to subdue Hungary and restore it to Francis Joseph, the conflicting ambitions of the two powers in the Near East led to hostility which continued, in varying degrees of intensity, until the World War.¹

The Austro-Russian rivalry in the Balkans was mainly sentimental, connected with matters of prestige as dear to the hearts of the renaissance states which both countries essentially remained

¹Alexander Redlich, Der Gegensatz Zwischen Oesterreich Ungarn und Russland (Stuttgart, 1915); Edward Ritter von Steinitz, Rings um Sazanow (Berlin, 1928); Russia, Die Internationalen Beziehungen im Zeitalter des Imperialismus, ed. Otto Hoetzsch (Berlin: R. Hobbing, 1931-36); Austria-Hungary, Oesterreich-Ungarns Aussenpolitik 1908-1914, eds. Ludwig Bittner and Hans Uebersperger (Vienna, 1931); Sir John A. R. Marriott, The Eastern Question (Oxford: Milford, 1925); Alfred Francis Pribram, The Secret Treaties of Austria-Hungary (Cambridge: Harvard University Press, 1921); George Vernadsky, A History of Russia (New Haven: Yale University Press, 1929); Berthold Molden, Alois, Graf Aehrenthal (Stuttgart, 1917).

throughout the period. Russia regarded herself as the successor of the Eastern Empire, and for that reason entitled to the possession of Constantinople. The attempt to force an economic interpretation of this aim by arguing Russia's desire to secure a trade outlet to the Mediterranean breaks down in the face of any serious study of the problem. In the first place, in none of the various wars or threatened wars of the period was the trade motive apparent or even avowed. In the Crimean War, in the war of 1877, the political, strategic, and, to a minor degree, the religious issues were clearly dominant. This is proven not only by the dispatches and negotiations preceding the various crises, but more convincingly by the terms of the various settlements by which the course of the conflict was marked from time to time. In the second place, the straits were open to Russian commerce throughout the period, except when Turkey was at war. The provision guaranteeing the freedom of the straits to peaceful commerce was one that Russia's most bitter enemies never proposed to modify.

From the Austrian side the case is no less clear. Her opposition to Russia was based on the old idea of "compensations," or of maintaining an equality of gains in prestige among the powers. True to the Renaissance ideal of maximizing relative military power, prestige, and territory, Austria felt herself wronged by any growth of Russian territory or prestige in the Balkans. It was not a question of economic injury to Austria-Hungary at all.

A brief review of the chief episodes in Austro-Russian relations will suffice to demonstrate this point. During the Crimean War, Austrian pressure forced Russia to evacuate the Roumanian principalities which were then occupied by Austrian arms.

Despite the apparent success of Bismarck in his attempt to restore friendship between Austria and Russia, despite the formation of the Three Emperors' League in 1881 and its renewal in 1884, the latent opposition flared up every time a change appeared imminent in the Balkans. But in no case was the opposition rooted in tariff, trade, or other economic matters. Neither in the agreement of Reichstadt which preceded the Russo-Turk war of 1877, nor at the Congress of Berlin which followed it, did economic matters assume any importance. The same is true of the Bulgarian Crisis of 1886. Austro-Russian hostility died down during the 90's when Russia turned her attention towards the Far East, but reappeared

after Russia's defeat by Japan turned the attention of the Bear to the Balkans again.

In all cases the determinants of Austro-Russian relations were of a political and strategic nature and had nothing to do with trade or tariffs. The tariff relations of the two countries were, on the whole, satisfactory, perhaps because they were of slight importance.

Although the two countries had a long common frontier and carried on considerable trade, they were both very much more interested in trade relations with Germany than with each other. This was due partly to the transportation situation, which made Germany the outlet for much of the grain of Central Russia, whereas the produce of South Russia went out by the Black Sea, and partly to the nature of the economic life of the three countries. During most of the period, both Russia and Austria-Hungary were largely exporters of foodstuffs and importers of manufactured goods, and Germany was an important market for the foodstuffs and an important supplier of the manufactured goods. Even in the latter years of the period when Austria imported a certain amount of foodstuffs and exported manufactures, her trade with the Balkan states was more important than that with Russia. This was because the inefficient Austrian industry was unable to compete with German, British, and other exporters in Russia, whereas proximity, transportation factors, and at times political arrangements permitted them to trade with the Balkan states. The following figures, taken from the 1913 Statistics of the 1926 U. S. Commerce Yearbook, speak for themselves.

	<u>Amount</u>	<u>Per Cent</u>
Russian Exports:		
To Germany	\$233,000,000.00	30.0
To Austria-Hungary	33,000,000.00	4.2
Russian Imports:		
From Germany	335,000,000.00	47.0
From Austria-Hungary	18,000,000.00	2.5
Austro-Hungarian Exports:		
To Germany	200,000,000.00	35.6
To Russia	18,000,000.00	3.2
Austro-Hungarian Imports:		
From Germany	263,000,000.00	38.0
From Russia	33,000,000.00	4.8

The consequence of this situation was that both Austria-Hungary and Russia made the regulation of their trade with Germany their first consideration. The tariffs affecting Austro-Russian trade were merely the resultants of their arrangements with Germany as secured by the operation of the most-favored-nation clause. Of course, in the period up to 1894, when Russia regulated her tariffs by law, the duties on Austrian goods entering Russia were set by statute, but after the conclusion of the Russo-German treaty of that year Austria was admitted to most-favored-nation treatment which secured for her the concessions granted Germany.

During the Russo-German tariff war, Austria sought to obtain the benefit of the special reductions Russia had made to France, but Russia asked the special rates on grain which Austria had granted Serbia. The negotiations had not reached any conclusion when the Russo-German treaty was signed, and this of course completely altered the situation, since there would be no point in refusing Austrian exports the same treatment as was extended to the products of the more efficient German industry.¹ In the Russo-German treaty of 1904, some of the increases in the Russian tariff to which Germany consented happened to effect articles which Austria was exporting to Russia. Austria succeeded in getting some concessions on these articles in addition to most-favored-nation treatment.² These concessions were secured during the period of political friendship, but clearly were not the cause of that friendship, nor did they prevent the friendship changing to hostility when other factors changed. We may sum up the direct relations of Austria and Russia by saying that tariffs were an insignificant factor throughout the period. Indirectly, tariffs played a considerable part because of the manner in which they entered into the Serbian question--the real source of hostility between the two countries.

Austria-Hungary and Serbia

It is not part of my task to deal exhaustively with the Austro-Serbian question. I have already indicated¹ my lack of sympathy with nationalism, hence it will not be surprising that I

¹Grünzel, pp. 71-72.

²Ibid., p. 84.

³See Introduction above, pp. 2-6.

have no patience with the argument that "justice demanded" that Austria permit her south Slav territories to secede and unite with Serbia. But even from the nationalistic point of view, there was another possible solution. As Professor Jaszi has so ably argued, Jugo-Slav unity might have been achieved within the Austro-Hungarian monarchy. There were before the war some 7,300,000 Jugo-Slavs in the monarchy, and only 3,300,000 outside it. Moreover, most of those living under Hapsburg rule had a great superiority over the others in economic and cultural development as well as in administrative efficiency.¹

It is true that the Hungarian ruling class were violently opposed to making any concessions to the Slavs, but on the other hand, the heir to the Austrian throne, whose assassination led to the war between Austria and Serbia, was known to favor the creation of a triune state in place of the dual monarchy. Hence we shall discuss Austro-Serbian relations without making the assumption that the Serbs were justified in their demand for the South Slav territories of the monarchy and also without assuming that the treatment accorded the Slavs by the Hapsburgs was justified. But I have been forced to the conclusion that Austro-Serbian hostility was almost exclusively due to Jugo-Slav nationalism, and the economic friction was the result of the national feeling.²

Little need be said of the early history of the Eastern question--let it suffice to point out that its history had an important bearing on the modern problem. At different times Greeks, Serbs, and Bulgars had each been the dominant power in the Balkan peninsula and each used history to back its claims. With the decay of Turkish power and the growth of nationalism among the peoples of South-Eastern Europe, the area came to be one of the danger spots of Europe.

Russia here as elsewhere wanted to add to her territory. On Russian lips "the liberation" of the Christian peoples meant their subjection, direct or indirect, to Russia. As the Czar

¹Jaszi, pp. 404 ff.

²Cf. George Young, Nationalism and War in the Near East (Oxford, 1915); J. Holland Rose, Nationality in Modern History (New York, 1916); Leopold Mandl, Die Hapsburger und die Serbische Frage (Vienna, 1917); Fischel.

explained on the eve of the Crimean War, Serbia, Bulgaria, and the Roumanian principalities might continue to be independent states under Russian protection but "I will never permit . . . such an extension of Greece as would render her a powerful state; still less will I permit the breaking up of Turkey into little Republican asylums for the Kossuths and Mazzinis and other revolutionists of Europe."¹

France was interested as the protector of Roman Catholics in the Near East; Britain feared the appearance of Russia as a Mediterranean power; and Austria-Hungary wanted "compensations" for any addition to the power and prestige of Russia.

When our period opens, Serbia was a principality essentially independent and free but nominally under the sovereignty of the Sultan. The Obrenovitch princes who were rulers of Serbia were friendly to Austria, and public opinion, if we may use the term, was not hostile. It was on the tariff question that friction first developed. Since the interpretation of Austro-Serbian tariff relations is fully as much a matter of controversy as their political relations, the conflicting points of view will be presented at some length, in order that the reader may be able to judge my conclusions in the light of his own predispositions.

The earliest tariff difficulty was essentially political since it related to the right of Serbia to regulate her tariff. Austria maintained that Serbia was Turkish territory and bound by Austro-Turkish trade treaties. Serbia had been trying to assert her tariff autonomy ever since 1830, and claimed that this was recognized by the Treaty of Paris of 1856, which gave Serbia freedom of action in trade and shipping matters.²

The Turkish and Serbian tariffs had the same rates, namely, 5 per cent ad valorem, and when Austria made a treaty with Turkey in 1862 permitting that country to raise her duties to 8 per cent, the Austrian statesmen practically conceded Serbian tariff autonomy by reaching an agreement with Serbia which retained the 5 per cent rates of the Serbian tariff. However, in 1864, Serbia converted her tariff from the ad valorem to the specific basis,

¹Marriott, p. 230.

²Otto von Zwiedineck, "Die Handelspolitischen Beziehungen Serbiens zu Osterreich-Ungarn," Weltwirtschaftliches Archiv (1915), Vol. VI, Part I, p. 92.

raising the rates in the process, and introduced an excise tax so that the total rose to 6 or 8 per cent.¹ This caused complaints from Austria and negotiations went on intermittently from 1869 to 1875 without leading to any definite results.²

In spite of the great importance of the Austro-Hungarian tariff for Serbia, the Congress of Berlin failed to clear up the situation. It merely provided for the restoration of the status quo ante, which meant to the Austrians most-favored-nation treatment plus 5 per cent rates in the Serbian tariff, but to the Serbs it meant the rates of their tariff of 1864.³

Serbia would have agreed to a trade treaty favorable to Austria at Berlin, but pressure from the Hungarians, who feared the competition of Serbian agricultural products, prevented the Austrian representatives from accepting it.⁴ However, a preliminary convention was signed July, 1878, which provided for an ultimate customs union of the two countries. This was rejected by the Serbian parliament from fear of loss of independence.⁵

It is not clear what motives prompted Austria-Hungary to propose tariff union with Serbia. It is probable that political motives--the hope that economic union might lead to political union--played a large part because there is no other instance of a free trade policy being adopted by Austria during this period, and in the subsequent trade treaties with Serbia there were provisions aiming at close trade relations which were admittedly dictated by political considerations.

In 1879, Serbia concluded provisional arrangements with Russia, Italy, Switzerland, Belgium, and Britain, the agreement with the latter power becoming definite in February, 1880. In July, 1880, the Austrian Ministry of Commerce informed the business

¹Karl Grünberg, "Handels-Beziehungen Oesterreich-Ungarns zu Rumänien Serbien und Bulgarien," Schriften des Vereins für Socialpolitik, XCIII (1901), 131; von Zwiédineck, pp. 92-93.

²Beer, pp. 425, 429-30.

³Ibid.; Moritz Stroll, "Die Handelspolitik der Balkanstaaten," Schriften, LI, 32-35.

⁴Grünzel, p. 62.

⁵Ibid.; Beer, p. 430; Stroll, LI, 32-35.

community that they had the right to choose between the rates of the British treaty and the previous Serbian rates. Serbia disputed this, claiming that the Berlin Treaty did not give Austria-Hungary most-favored-nation rights.¹

Zwiedineck, although admitting that Austrian occupation of Bosnia and Herzegovina may have influenced the Serbs, and also that they may have feared that tariff union was a precursor of political union, calls the rejection of the tariff union and of all preferential treatment for Austria "an act of treachery." He also claims that the conclusion of the treaty with Britain was an offense and a challenge to Austria, because Serbia had not so regulated her dealings with Austria that the latter would receive compensation for admitting the products on the export of which Serbia was dependent.²

In any case, Austria began to use her advantageous trade position for political purposes. She refused to grant Serbia most-favored-nation rights or to continue negotiations as long as the Austrophobe Ristitch Cabinet remained in office,³ and until Serbia clearly and bindingly recognized that Austria had most-favored-nation rights in Serbia. Ristitch retired October, 1880, and a treaty was made in May, 1881. It was considered that this was a victory for Austria and that Serbia had yielded only before the threat of a tariff war.⁴ Owing to the bulky and perishable nature of Serbia's exports (these were almost entirely agricultural products and live hogs formed an important element in them) the Austrian market was the only one that was practically available, and hence Austria was always in a strong position in tariff bargaining with Serbia. The treaty, as supplemented by a veterinary, shipping, consular, and judicial agreement, provided that Serbia should enforce the same veterinary system as that prevailing in Austria-Hungary, in return for which certain cattle markets, e.g., Buda-Pesth, were opened to Serbia. Other concessions were made to Serbia, many of her products being admitted free but the principal clause in the treaty, that which clearly marked it as imposed rather than freely accepted, was the provision that on the most important articles of Austrian export, paper, glass, and some iron,

¹Stroll, LI, 32-35; Beer, p. 430.

²Von Zwiedineck, pp. 93-94.

³Grünberg, p. 132.

⁴Grünzel, pp. 62 ff.

the Serbian duties should be only one-half that of the lowest rate granted any other power.¹ In addition, preferential rates were granted Austria on wine, style goods, and several other items. The duty on most manufactured goods was to be 6 per cent. These concessions were in clear violation of the treaties Serbia had concluded with Britain, Russia, Italy, etc., since all of these treaties contained the unconditional most-favored-nation clause. These treaties, however, contained the provision that special treatment of border trade should not be considered a violation of the most-favored-nation stipulation. Such provisions are fairly common in commercial treaties, and are intended to cover the case of local trade, e.g., between a city on one side of the border and a truck-growing region on the other. Their application is usually confined to a zone twenty or twenty-five miles wide on each side of the boundary. In this case, Austria evaded the clear intent of the treaties by designating the entire trade of both countries as border trade!²

Certain Austrian writers attempt to justify this attitude on the part of Austria. For instance, Grünberg writes, "Agricultural states can only pay for industrial products by means of their grain, etc., and vice versa, hence Austria-Hungary could and can demand special favors for her export to Serbia with full justice, and there is no sense in trying to see in such demands the 'subjugation' of the weaker state."³ In other words, the geographical situation which made Austria a favorable market for Serbian stock gave her a right to demand legal favors from Serbia. This attitude explains a good deal of the difficulties between the two states, as Serbia quite naturally would not see the logic of this argument.

Von Zwiedineck approves the above opinion of Grünberg with the qualification that it does not do justice to the patience of Austria in the later period. He argues that until 1906 Austria, in giving preferential treatment to Serbian exports, was sacrificing her own economic interests in order to win the favors of Serbia. He quotes the following statistics to prove that the treaties were less favorable to Austria than to Serbia.

¹Lang, p. 291.

²Stroll, pp. 47 ff.

³Grünberg, p. 134.

SERBIA'S IMPORTS FROM AUSTRIA-HUNGARY¹
(Yearly Average)

	<u>1,000,000 Dinar</u>	<u>Per Cent Serbian Imports</u>
1879 to 1883	41	90
1884 to 1893	27	66
1894 to 1905	26	58

SERBIA'S EXPORTS TO AUSTRIA-HUNGARY
(Yearly Average)

	<u>1,000,000 Dinar</u>	<u>Per Cent Serbian Exports</u>
1879 to 1883	31	78
1884 to 1893	37	82
1894 to 1905	59	87

The figures certainly show that Serbia sent an increasing percentage of her exports to Austria-Hungary and obtained a decreasing percentage of her imports from that state, but this is not conclusive evidence that the treaty was more favorable to Serbia. As so often happens in politics, however, it is not so much a question of whether a given arrangement is in the economic interests of a country as whether the arrangement is what the country wants. Complete freedom of trade between the two countries would have been in the best interests of Serbia, and the actual arrangements up till 1906 were more favorable than a mere most-favored-nation treaty would have been, but Serbia wanted free access to markets and at the same time the right to erect tariffs on manufactured goods. This is a case in which economic and political hostility became indistinguishable, because one reason for Serbia's helplessness against Austria-Hungary was the lack of an outlet to the Adriatic, and it was Austria-Hungary that blocked the way to the Adriatic.

¹Von Zwiedineck, p. 98. As further evidence of Austria's generosity, Zwiedineck cites her agreement of 1887 to exempt Serbian grain from the increased rates of duty contained in the Austrian tariff of 1885, and her release of Serbia from an obligation with regard to excise duties, pp. 96-97.

The political hostility between Austria and Serbia may be said to date from the occupation by the former of the provinces of Bosnia and Herzegovina after the Congress of Berlin. Croatia and other provinces of the Monarchy were inhabited largely by South Slavs, but they had long belonged to that Empire, whereas the inhabitants of Bosnia and Herzegovina had freed themselves from the Turkish yoke and it required a large Austrian army and months of serious fighting to make them submit to Hapsburg rule.

Although the hostility of a large part of Serbian opinion dates from this event, King Milan of Serbia was distinctly Austrophil. A secret treaty of alliance was made with Austria-Hungary in 1881. This treaty was accompanied by an economic arrangement, under which Serbia agreed to build railroads integrated with the Austrian system in return for Austrian government support for a Serbian loan.¹

It is related that on one occasion Milan told the Emperor that he had only two roads open: Either to turn and throw himself into the arms of the Russian Pan-Slav policy, or remain a good Austrian and take up a struggle against his own people--the latter course requiring a concentration of Austrian troops on his frontier.²

Prince Milan was no doubt influenced by his insecurity to make a claim for an extension of his territory as "compensation" for the union of the two Bulgarias in 1885. He led his army in the direction of Sofia to enforce his demand. The Bulgarian army was weakened by the withdrawal of its Russian officers, but fought a stubborn three days' battle at Slivnitsa and decisively defeated the Serbians. Thereupon the Bulgarians took the offensive and the Serbian army seemed to be at their mercy. At this point Count Khevenhüller, the Austrian Minister at Belgrade, informed the Bulgarians that if they advanced further, they would find themselves face to face with Austrian troops.

Austria had recognized that there was danger of Milan's antagonizing Russia, but did not restrain him because it was felt that he had to lead the national movement or be expelled from his kingdom. Prince Bismarck gave a strong warning against supporting

¹Viner, The Southwestern Political and Social Science Quarterly, March, 1929, p. 37, citing Georges Y. Devas, La Nouvelle Serbie (Paris, 1918), p. 247.

²Jaszi, p. 415.

Milan, saying that while he did not wish to see the prince expelled, he felt that supporting him would be a greater evil if it led to war with Russia.¹ Later Bismarck instructed his Ambassador in Vienna that if a break with Russia were brought about by an Austrian invasion of Serbia without previous arrangements by treaty, "we could not represent it to Germany as a cause for war with Russia."² The defeat of the Serbians obviated the threat of an Austro-Russian war, but the stand of Bismarck is important in bringing out the dangers of the situation.

The trade treaty of 1881 was due to expire September, 1892, but was extended to June, 1893, because the Serbian government met opposition in the parliament to its plans for a new treaty. Serbian opinion objected to the special treatment accorded Austrian goods.

Ristitch, during the negotiations in 1880, had urged the building of a railway to Salonika as an escape from their position of dependence on Austrian markets. "The railway," he said, "will free us . . . we shall no longer be forced to conclude trade treaties against our will."³ The railway to Salonika was completed in 1888, and may have strengthened the position of Serbia in the negotiations in 1892, but Serbia remained dependent on the Austrian market for most of her exports, especially live hogs, and it was other developments that made possible the compromise treaty of 1892. While Austria took 90 per cent of Serbian exports and supplied 60 per cent of her imports, the total Austro-Serbian trade was so small that it amounted to only 3 per cent of Austria-Hungary's foreign trade.

Moreover, Austrian industry was so inefficient, and so handicapped in its export branches by the high tariffs of the Monarchy, that in spite of the preferences secured in the Serbian market by the treaty of 1881, Austrian goods were being displaced by German and British. The specialties which enjoyed the 50 per cent preference accounted in 1892 for only 3 per cent of Austrian exports to Serbia.⁴ Hence it was possible for Serbia to secure a considerably improved position in the new treaty. In this treaty most of the rates of the Serbian tariff were raised and the preferential treatment granted on the basis of border-trade was

¹G. P., V, Nos. 957-58.

²*Ibid.*, No. 969.

³Stroll.

⁴Lang, pp. 323-35.

ended except as regards the single article wine. On the other hand, Serbia was released from the annoying veterinary convention and retained her preferred position in the Austrian market for several classes of goods, especially grain, cattle, swine, fruits, honey, and wine.¹ The importance of these products to Serbia may be seen from the following figures:

SERBIAN EXPORTS
(Average Annual Value, 1894-1905)²

	<u>1,000,000 Dinar</u>	<u>Per Cent Total Exports</u>
Living Animals	23	34
Cereals	14	21
Fruits	11	16
	<u>48</u>	<u>71</u>

The significance of these figures is heightened by the fact that before 1905 Serbia supplied 60 per cent of the grain and 95 per cent of the cattle imported by Austria-Hungary.³ A general reduction of tariffs usually results in benefits to consumers in the form of lower prices, but in the case of preferential arrangement in which a large country makes a breach in a high tariff wall for the benefit of a small country, the presumption is that prices are raised in the small country rather than lowered in the large one. Certainly the transportation situation alone is not enough to account for Serbian monopoly of the Austrian cattle market. These figures give strong support to the view that Austria, as Zwiedineck contends, was influenced by political considerations in making so favorable a treaty with a power which was still economically at her mercy. In any case, it is true that this treaty was concluded in the reign of Alexander, who had succeeded his father Milan in 1889 and was also an Austrophil, though not so much so as Milan.⁴

However, Count Kalnoky, Austria-Hungarian Foreign Minister (1881-95), once said that he did not "count on Serbia's adhering to us for love; she will have to do so from fear and material

¹Ibid., p. 329; Grünzel, p. 75; Von Zwiedineck, pp. 100-1.

²Von Zwiedineck, p. 102. ³Jaszi, p. 417.

⁴Marriott, p. 375.

interests and these I consider far more reliable motives than the changing feelings of half-wild peoples."¹

Hence we must conclude that though political considerations were dominant, it was not merely a case of attempting to win the affection of the Serbs; it was also a case of maintaining a strategic economic position. The treaties which permitted Serbia to market her products favorably in Austria-Hungary were no doubt of advantage to her while they remained in force, but gave Austria-Hungary a great weapon in the power to end them.

In 1903, King Alexander was assassinated and Peter, a representative of the Karageorgevitch dynasty which had disputed the throne with the Obrenovitch line for generations, became king. Peter was a resolute foe of the Hapsburgs and from his accession dates the period of enmity in both political and tariff relations.

Tariff hostility was the first to become acute. Serbia introduced a new tariff in 1904. The Austro-Serbian treaty of 1892 was about to expire and negotiations were in progress for new trade treaties between Austria-Hungary and both Serbia and Bulgaria when the two latter countries in 1905 concluded a tariff union.² This treaty of union was kept secret for some months during which Serbia and Bulgaria tried to get acceptable treaties with Austria-Hungary. Serbia was making headway, but Bulgaria broke off negotiations after failing to get equal treatment for her cattle. She then introduced the treaty of union with Serbia to the Sobranje, January, 1906, and it was accepted. On learning of this treaty, Austria threatened to break off negotiations with Serbia and asked that the treaty be not submitted to the Skuptchina. Serbia replied offering to change any clauses that might be inconsistent with the treaty to be arrived at between Serbia and Austria-Hungary. Austria replied asking that the treaty be not submitted while negotiations were going on and in case agreement were reached that such changes be made as Austria might signify. Serbia agreed to the first condition and offered to make such changes as were required by the nature of the treaty with Austria-Hungary. Austria said this answer was unsatisfactory and broke off negotiations.

¹Jaszi, p. 415.

²Alex von Matlekovits, Die Serbische-Bulgarische Zollunion (Vienna: Handelsmuseum, 1906), p. 25.

The Hungarian Minister of Agriculture then announced that on account of the appearance of disease in hides shipped from Serbia the boundary was closed to cattle, sheep, swine, and goats, and to the meat of all these animals. Serbia then forbade the transit through her country of the articles in which Austria had a fiscal monopoly (tobacco, salt, and matches) but in order to avoid a complete break with Austria they did not submit the treaty with Bulgaria to the Skuptchina. This caused Austria to offer milder terms. Feeling in Serbia was now too high to enable the government to offer an acceptable formula. This feeling soon ebbed, however, as the export bank learned that the efforts to find new routes for Serbian export had failed and the export season was approaching. Negotiations between Bulgaria and Turkey with regard to Macedonia came to the knowledge of the Serbian government at this time and made it more willing to come to terms with Austria. The terms demanded by Austria involved changing the treaty of union with Bulgaria into one whose benefits would accrue to all most-favored-nations. This, of course, made the treaty of union a nullity but it was accepted by Serbia.¹ On March 17, 1906, a provisional trade agreement between Austria-Hungary and Serbia was reached, but it was denounced early in July of the same year when Serbia refused to buy her artillery from an Austrian firm.²

The communications that passed between the governments immediately prior to the beginning of the tariff war are interesting as showing how the nature of the products that enter into trade may affect negotiations. On July 3, 1906, the Serbian Foreign Minister stated that his government could not accept a provisional agreement for only three months, because no Serbian exporter could make his cattle ready for export in that time, whereas Austrian exporters would be able to ship enough industrial products into Serbia to cover her needs for a year or more.

On July 7, 1906, the Austrian government explained its reasons for commencing the tariff war. These were: First, that the concessions offered by Serbia were insufficient and were accompanied by impossible demands; second, that Serbia stipulated

¹A. Stojanoff, Die Handelspolitische Situation der Balkanstaaten Gegenüber Österreich Ungarn (Vienna: Perles, 1914).

²G. Lagny, "Les Relations Economiques Austro-Serbes," Revue des Sciences Politiques, XXIX (1913), 67.

that any agreement that might be reached must be submitted to the Skuptchina and that a large part of the Serbian exports could be made before the Skuptchina would pass on the treaty; thirdly, that Serbia had made no binding declaration on the question of the taking of artillery and munitions. This communication closed with an open threat that "if Serbia, during the period no treaty was in force, applied the same kind of mischievous measures against Austrian trade as had been adopted before, such action would render much more difficult the conclusion of a treaty later."¹

Thus began a bitter tariff war, known as the pig war because of the importance of the Austrian market for Serbian hogs. It must be remembered that Serbia was in a very undeveloped state economically, not even having packing plants for the curing of her animal products. This situation resulted partly from the fact that the Serbian population was largely rural (country dwellers regularly cure their own meat) so that most of the Serbian meat products that went to market were destined for export, and partly from the rates of the Austro-Hungarian tariff which were so arranged as to make it unprofitable to slaughter the animals in Serbia. The effect of this fact was to keep Serbia almost as dependent on Austrian markets as she was in 1881. It appears that the excessive and increasingly unreasonable demands of Austria were the expression of a determination to make a treaty impossible rather than from a desire to get the most favorable treaty possible.² The admission of Serbian agricultural products had been under attack from the agrarians of both Austria and Hungary for some time. The leaders of this agitation were powerful political personages--Count Stephen Tisza and Ritter von Hehenblum. In Hungary the agrarian elements were dominant.

Nevertheless, something more than the interests of the agrarians is required to explain some of the demands made on Serbia and especially the one on which the negotiations broke down; namely, the request that Serbia place a twenty-six million franc order for artillery with the Austrian firm of Skoda. It seems that the true motives behind these demands were political

¹ Austria-Hungary, Ministerium des Aussern, Diplomatische Aktenstücke über die Handelsvertrags-verhandlungen mit Serbien 1905-1906 (Vienna, 1906), Nos. 17-19.

² Karl Renner, Die Aera Hohenblum. Der Ruin unserer Staats und Volkswirtschaft (Vienna, 1913).

and military. The Serbian irredentist agitation and the terrorist methods adopted by some of their secret societies (a not unnatural reaction to the Austro-Hungarian policy of repression) led growing numbers of Austrians to favor a war against Serbia as the only escape from an intolerable situation. Prominent among these was Conrad von Hotzendorf, Austro-Hungarian Chief of Staff from 1906. His influence varied from time to time, but was a force in 1906 and was always exerted in the direction of hostile action, both economic and military, against Serbia.

Even Zwiedineck admits that the Austrian demand for the renunciation of the tariff union with Bulgaria was due to political considerations--the fear of being surrounded by Pan-Slavs--and that the demand for the artillery order was an "error." He quotes a report from the Frankfurter Zeitung to the effect that the Austrian government made this request because it had led Skoda to believe that some such order would be placed by the Austrian government. Skoda had made preparations to fill it when the War Office decided on artillery of a type made in government shops. He says, however, that it is obvious that the Vienna government was not actuated by the interests of the Skoda firm, but by the desire to bring about the fall of the hostile Pasitch Cabinet because they hoped thereby to effect a toning down of the bitter Pan-Slav agitation. He says that the Serbian government refused to give the artillery order because it had borrowed the funds in France and the French bankers had made it a condition of the loan that the order be given to the French firm Schneider-Creusot.¹

Loncavevitch states that Serbia, unless it wanted to resign its independence, could not buy the trade treaty at the price of the requirements of the country's defense; also that the closing of the boundary to Serbian stock was admitted by the Austro-Hungarian press to be retaliation.²

On March 14, 1908, a new trade treaty was signed which involved prohibitive duties on grain and reduced the quota of cattle from 60,000 to 35,000 and of swine from 130,000 to 70,000. There was some difficulty in getting this treaty accepted in Austria-Hungary and political considerations were invoked. Aehrenthal, in a report to the Emperor (August 28, 1908), states:

¹Von Zwiedineck, p.108.

²Dusan A. Loncavevitch, Jugoslaviens Entstehung (Vienna: Amalthea, 1928), pp. 85, 111.

"The Austrian Minister-President has informed me that the Administration is ready, in spite of the opposition of the agrarians, to put the trade treaty into effect in view of the political considerations which I set forth. From the side of the Hungarian administration there is an analogous consent."¹

The treaty went into force September 1, 1908, and Aehrenthal reported that the Serbian Foreign Minister, Milovanovitch, was "pleasantly surprised that the conclusion of the treaty had met with less difficulty in Austria than he had expected."² Just a week after this agreement went into effect the annexation of Bosnia and Herzegovina to the Hapsburg crown was announced to a startled world. This event was preceded by some kind of an agreement between Isvolski and Aehrenthal, Foreign Ministers of Russia and Austria-Hungary respectively. Russia was to support the annexation in return for Austrian support of Russia's demand to have the Straits (Bosporus and Dardanelles) opened to Russian warships. There is some doubt as to some features of the agreement and Isvolski claimed that Aehrenthal had broken faith. We need not deal with this point.

The important facts for history are two: Isvolski was enraged and converted into an irreconcilable foe of the Hapsburgs; and the South Slav agitation reached new heights of violence, extending to mobilization of the Serbian army and counter-mobilization by Austria-Hungary. Aehrenthal took the position that Serbia had no right to protest since the change affected the relations of Austria-Hungary and Turkey. Hence he refused the Serbian demand for compensations. Russia was not ready for war and advised Serbia to acquiesce, and on March 31, 1909, the Serbian Minister met the demands of Aehrenthal.

Three weeks previously Aehrenthal had announced that, as a result of the attitude of Serbia during the recent months, he was unable to get parliamentary ratification of the trade treaty that had provisionally gone into effect the previous September. This might be interpreted as an effort to get Serbia to consent to the annexation, but on the very day that Serbia gave her consent

¹Austria-Hungary, Ministerium des Aussern, Oesterreich-Ungarns Aussenpolitik 1908-1914 (Vienna, 1930), No. 44. (Henceforth cited as Austrian Documents.)

²Ibid., No. 78.

Austria announced that from the next day the treaty would not be in force. Thus the tariff war began afresh.

What were the real reasons for Austria's attitude at this time? Professor Jaszi¹ blames the agrarian agitation led by Hohenblum, Tisza, Berchtold, and Stürgck, who threatened to concentrate masses of peasants around the Vienna Parliament. Jaszi says, "There is not the least doubt that this frivolous and brutal economic policy was 'the chief cause' which made Serbia the irreconcilable enemy of the Hapsburg Monarchy."²

Zwiedineck admits that Austria was following her own economic interests in establishing agricultural protection and makes an extensive analysis of the economic situation of the monarchy in order to justify it.³ The argument is not convincing, but since the same is true of the arguments that have led to the adoption of protection in other lands we cannot say it is insincere. Zwiedineck takes the position that the early treaties which gave Serbia preferential treatment were injurious to Austria, but might have been justified in the times of the Obrenovitches by the political advantage of maintaining Serbian friendship. He holds that when Serbia openly adopted the aim of securing the "liberation" of the Slavs in the Austrian domains there was no longer any reason for giving Serbia favors and hence the government no longer restrained the agrarian agitation.⁴

Aehrenthal's report quoted above shows that on occasion he had overcome agrarian opposition to trade arrangements with Serbia by urging political considerations. This supports Zwiedineck as against Jaszi, and it should be noted that even the latter admits that the hatred and exasperation in Serbia over the tariff war were surpassed in the annexation crisis.

With regard to the Austrian exports to Serbia, Zwiedineck argues that they were too small to be the dominating force in Austrian policy. He says that in 1903 exports to Serbia accounted for less than 1.6 per cent of the total exports of the monarchy. What sense would there be in bickering over trade of twenty or thirty million crowns which might yield at most five or six millions profit per annum when in a single year a mobilization necessitated by Serbia cost the monarchy three hundred million crowns?

¹Jaszi, pp. 416-17.

²Ibid.

³Von Zwiedineck, pp. 383-404.

⁴Ibid., p. 406.

"A clarification of the relations with Serbia was needed, and this, in view of the extreme conceit of Serbia, was attainable only by inflicting experiences such as had not previously been known."¹

In view of the facts as above recited we must conclude that Austro-Serbian tariff relations up to 1906, especially in the period following 1893, were definitely favorable to Serbia and were deliberately made so from two political motives: First, the desire to conciliate the Serbs; and second, to keep the neighbor state in a position in which pressure could be applied at any time by a threat of cutting off its only economic outlet. That the latter motive was present is shown by the persistent opposition of Austria to Serbian access to the Adriatic. Those who try to defend this policy of Austria's on the ground that Serbian access to the Adriatic would have prevented Austria obtaining an economic outlet on the Aegean are arguing in effect that it is impossible for railroad lines to cross!

We must conclude further that the attempts to conciliate the Serbs failed, and that after the failure became obvious, Austria not only applied her high protective tariff to Serbian exports with a disregard of Serbian interests which is usual with protectionist states, but also pressed other demands on Serbia with the purpose of bringing about political changes in Serbia which might be favorable to the monarchy.

The trade concessions failed to conciliate the Serbs for the very simple reason that Jugo-Slav national sentiment was a far stronger motive than economic interests, and the treatment of the Jugo-Slavs in the Hapsburg Empire, especially in Hungary, was of such a character that there was never a lack of fuel for the fires of the nationalist propaganda.²

In dealing with the South Slav nationalist agitation, the Hapsburgs had nothing to offer but force. Although there were many able statesmen in the Monarchy, including the heir to the throne, who advocated a liberal solution, the official policy was always one of repression. It was in part a result of the mediaeval mind of Francis Joseph who never grasped the meaning of nationalist

¹Ibid., p. 114.

²The evidence for the importance of national sentiment is overwhelming. See references listed on p. 109 above, footnote 2.

sentiment. Hence I cannot agree with Professor Jaszi's statement that the tariff war was the chief cause of the Serbian hostility. That hostility was intensified by the tariff war, but it had arisen and grown acute during a period in which Professor Jaszi himself admits that the monarchy had "a fairly liberal commercial treaty with Serbia."¹

The effects of the tariff war on Austro-Serbian trade can be seen from the following figures:²

SERBIAN IMPORTS

<u>Year</u>	<u>Total Million Dinar</u>	<u>Per Cent from Austria- Hungary</u>	<u>Per Cent from Germany</u>	<u>Per Cent from Britain</u>
1900-05 average	52.9	57	16	9
1906	44.3	50	22	10
1907	70.6	36	29	15
1908	75.6	43	28	12
1909	73.5	24	40	10
1910	84.7	19	41	14
1911	115.4	41	27	8
1912	106.1	45	29	8

PERCENTAGE OF AUSTRIAN EXPORTS TAKEN BY SERBIA

	<u>1905</u>	<u>1906</u>	<u>1908</u>	<u>1910</u>	<u>1911</u>
Cotton Goods	3.3		1.3	0.2	2.1
Woolens	3.5	0.8	1.0	0.1	1.3
Iron	4.4	3.2	6.0	1.1	5.0
Machines	2.3	1.2	1.4	1.8	2.5
Sugar	1.7	1.8	0.9	0.006	1.4

SERBIAN EXPORTS³

	<u>Total Million Dinar</u>	<u>Per Cent to Austria- Hungary</u>	<u>Per Cent to Germany</u>	<u>Per Cent to Turkey</u>
1900-05 average	66.4	86	5	2
1906	71.6	41	27	8
1907	81.5	16	26	5
1908	77.8	28	18	14
1909	93.0	31	17	24
1910	98.4	19	22	24
1911	116.9	41	25	10
1912	84.2	43	15	9

¹Jaszi, p. 417.

²Von Zwiedineck, p. 111; Petermann p. 110.

³Von Zwiedineck, p. 116.

The effects of the tariff war on Serbia were not nearly so disastrous as might have been expected. The Serbian government voted five hundred thousand dollars for the development of new outlets and met with some success. More important was the fact that it was a period of rising prices and, except for the year 1908, of world prosperity. Capital was flowing into Serbia and rapid strides were made towards industrialization, especially in the development of industries engaged in processing Serbian products, which were thus fitted for transport to more distant markets.¹

The rapid recovery of Austro-Serbian trade after the restoration of normal trade January 1, 1911 (by virtue of a treaty concluded August 17, 1910) reflects the geographical situation of the two countries, rather than preferential treatment. The treaty embodied the most-favored-nation clause and set quotas of 15,000 cattle and 50,000 hogs which could enter Austria at low rates but there were practically no other reductions.²

From the experiences of the tariff war the Serbians acquired a new sense of confidence, soon to be enhanced by their victories in the Balkan wars. Thus Lovcarevitch wrote, "Serbia advanced a stage in her economic development; and politically, while the Serbia of the unfortunate last Obrenovitch had been the butt of bitter jests, the Serbia of King Peter became the focus of Balkan politics and the Piedmont of the South Slavs."³ Even Austrian publicists were led to advocate a change in Austrian policy.

Mandl wrote:

"The new trade treaty with Serbia is not merely a new ordering of the trade relations. Rather the close of a great political struggle on the trade field in which Serbia systematically and energetically fought out its full economic emancipation. Grünberg's theory of the complete dependence of Serbia on Austria-Hungary has been proved untenable. Through this, the recognition of Austria-Hungary's possession of Bosnia and Herzegovina, and her withdrawal from the Sanjak, so many points of friction have disappeared that an entirely

¹Petermann, p. 95; J. M. Baernreither, "Unsere Handelsbeziehungen zu Serbien," Osterreichische Rundschau, XXIX (1911), 11.

²Grünzel, p. 87; Lagny, pp. 67 ff.; Von Zwiedineck, p. 110.

³Lovcarevitch, p. 184.

new situation has arisen in which it is possible to pursue a policy of rapprochement and even a policy of agreement.

"All the trouble between Austria-Hungary and Serbia is the emanation of a political idea--Greater Serbia."¹

Grünzel wrote:

"The most important requirement of future trade treaties must be that of a reversal of the previous relation between Trade Policy and General Foreign Policy.

"While in modern culture states, home and foreign policy become ever more economic policies, they [in Austria-Hungary] are all too often in diametrical opposition to the economic interests on which they have laid sacrifice after sacrifice. Just as the railways have been built with regard to military interests, so were the trade treaties in the hands of foreign policy--now sugar and now whip."²

Both these extracts reveal the Austrian inability to see that Jugo-Slav nationalism was the root of the trouble, since they both imply that satisfactory trade relations might bring about good political relations. The same view is expressed by Sosnosky, who speaks of the "disinclination of Austria-Hungary to offset the political antagonism by economic concessions."³

Pribram states that the trade treaty with Serbia was made in order to conciliate her.⁴ The attempt was a complete failure. Austro-Serbian relations continued to be governed by the nationalist question, and instead of improving became worse from year to year. In 1911, a secret society, Union or Death, adopted terrorism and murder as its methods. High Serbian officials, including Premier Pasitch, either belonged to this organization or had knowledge of its activities, but no serious attempts were made to check those activities.⁴ The assassination of the Austrian Archduke, which led to the World War, was the culmination of these endeavors.

¹Leopold Mandl, Oesterreich-Ungarn und Serbien (Vienna, 1911), pp. 5-6.

²Grünzel, p. 242.

³Theodor von Sosnosky, Die Balkanpolitik Oesterreich-Ungarns seit 1866 (Vienna, 1913), pp. 189 ff.

⁴Alfred Francis Pribram, Austrian Foreign Policy, 1908-1918 (London: Allen, 1923), p. 34.

To sum up for Russia, Austria-Hungary, and Serbia, we have here three states none of which was interested primarily in economic matters--Russia and Austria-Hungary because they were anachronistic survivals of the Renaissance state mainly concerned with gaining territory and military power; Serbia because the idea of Greater Serbia took first place in her thoughts. As between Russia and Austria, tariff matters were so insignificant that there is no need of discussing them. Their rivalry and ultimate conflict resulted from conflicting political ambitions in the Balkans, especially Russia's desire to obtain control of the straits and her support of Serbia against Austria, possibly as a means to the first objective. As between Austria-Hungary and Serbia, we may distinguish four periods: First, the period preceding the Congress of Berlin, during which political and tariff relations were satisfactory and of little concern to either government. Second, 1878-1903, when the relations between the governments were friendly while there was growing hostility to Austria among the people of Serbia. During this period the tariff arrangements were decidedly favorable to Serbia from an economic point of view but were resented in Serbia because of special favors insisted on by Austria and because of the "dependence" on Austria-Hungary that resulted. Third, the period of the tariff wars, July, 1906, to September 1, 1908, and April 1, 1909, to January 1, 1911, during which the countries were on the verge of war, although the period of highest tension, when both sides were mobilized, occurred during the period between the tariff wars. Fourth, the period from 1911 to 1914, during which tariff relations were quiescent while political hostility grew more violent until it burst into open conflict. Throughout the period, tariff policy on the Austrian side was a tool in the service of political aims. Until 1906, the tariff concessions granted Serbia went much further than would have been dictated by the economic interests of the ruling classes. During the period of tariff wars the economic interests of the Austro-Hungarian agrarians were given full play, but additional demands were made on Serbia with the intention of bringing about a tariff war which it was hoped would cause a desired change in government in Belgrade. Only during the final period, January, 1911, to August, 1914, was the tariff on Serbian goods brought into line with that in force on the goods of other states. The entire history of the period shows clearly the

ineffectiveness of the tariff as a weapon of politics. The tariff wars proved as incapable of forcing the Serbs to meet Austrian wishes as the earlier favors had been in securing Serbian friendship.

CHAPTER VII

GERMANY AND ENGLAND

General Course of British Foreign Policy

Since Great Britain followed a consistent free trade policy throughout the period, it might seem possible to dismiss her with a sentence. This cannot be done for two reasons. In the first place, the tariff policies of other countries frequently affected their relations with Britain; in the second place, the mere threat of protection, in the form of imperial preference, was sufficient to alarm other powers. However, since free trade was the accepted British commercial policy, we shall not devote a section to it, but shall discuss departures, actual or possible, from that policy, as incidents in her relations with other powers.¹

British foreign policy is probably more difficult to explain or appraise than that of any other great power. Most Englishmen probably agree with the dictum of one of their countrymen to the effect that the British Empire was "built up in fits of absence of mind." Many foreign observers, on the other hand, regard British policy as a far-sighted, consistent, continuous, and unified effort to achieve world dominion.

There are great differences of opinion, too, concerning the manner in which British policy was pursued. Some writers regard it as the normal and, on the whole, justifiable defense of British interests; others consider British methods unusually

¹Much has been written on British trade policy, especially by German writers at the time imperial preference first became a threat. The following, in addition to those cited on specific points, are the most important: Carl Johannes Fuchs, The Trade Policy of Great Britain and Her Colonies Since 1860 (London: The Macmillan Co., 1905); W. A. S. Hewins, "Der Imperialismus und seine Wirkungen auf der Handelspolitik des Vereinigten Königreich," Schriften, Vol. XC; Karl Rathgen, "Englische Handelspolitik," Schriften, Vol. XC; Gustav Schmoller, "Die Künftige Englische Handelspolitik," Schmollers Yearbook (1904); Rathgen, "Über den Plan eines Britischen Reichszollvereins," Preussische Jahrbuch, bd. 86 (1896, pp. 481-521; "Die Kündigung des Englischen Handelsverträge und ihre Gefahr für Deutschlands Zukunft," Schmollers Jahrbuch (1897), pp. 1369-86.

selfish, arrogant, deceitful, and brutal. A few words on each of these points will indicate the point of view of the present writer.

In the first place, it should be clear that in a parliamentary democracy like England where changes of ministry were frequent and where the two great political parties were for long periods in sharp disagreement on questions of foreign policy, there cannot be the same consistency of purpose and method in single problems as characterized the twenty-eight-year tenure of office of Bismarck or the reigns of the stronger Czars. Consequently, the "British" attitude towards a particular problem such as the Egyptian problem or the Turkish problem, might change somewhat abruptly, thus making the English appear unreliable or even treacherous. Moreover, statesmen on coming into office while a policy was in course of execution, might find themselves unable to do anything but continue that policy even though they had condemned it while in opposition. This made it possible for hostile critics to impute dishonesty to men like Gladstone, who was known by his intimates to be absolutely sincere.

On the other hand, there were certain facts that practically dictated a consistent policy on certain problems. When England, after spasmodic attempts extending over centuries, finally gave up the idea of becoming a continental power, she at the same time, on account of her small population, gave up the hope of becoming a strong military power. Consequently, impelled by the universal feudal aim of achieving maximum relative military power, England was led to follow the policy of weakening whatever power was, for the time being, the strongest.

This policy, to be sure, was abandoned when mercantilist thought gave way to liberalism in the nineteenth century. Since that time, it has been recognized in Britain that the interests of nations are in the main harmonious rather than conflicting, and that peoples, in their own interest, should rejoice in the prosperity of their neighbors. Hence recent British policy has been defensive on the whole, especially under Liberal administrations. Nevertheless, the fact that Britain has proceeded vigorously in some cases where the threat to her safety was distinctly remote, and the fact that she has continued to be in opposition to the strongest continental power, have prevented most foreign writers from seeing that any change in her policy has taken place. Further, not ordinarily having an army of any consequence, she, out of fear

for her own safety, was never willing to let a strong military power occupy the low countries from which an invading force might easily be dispatched. Finally, especially in the nineteenth century, it became a settled policy to maintain a fleet as strong as the combined fleets of any powers that were at all likely to unite against her. These are the elements that give plausibility to the view that British policy was a consistent unchanging plan.

On the question of the justice of British claims, it should be pointed out that much of the controversy arises from the lack of a common standard by which to judge the facts, rather than from any dispute as to what were the facts. The view common to most continental writers, a view which is still propagated by the spokesmen of Fascism in this year of grace, 1938, is that the backward areas of the world ought to be divided up among the great powers of Western Europe in proportion to the population, wealth, or "needs" of the latter. Judged by this standard, England can be shown to be insufferably greedy and arrogant. When the modern period of colonizing commenced in the last quarter of the nineteenth century, Britain already had far more than her "share" of the world's colonies; yet she contended stubbornly with France, Germany, Russia, and other countries, for the insignificant bits of desert and tropical jungle that she had not thought worth occupying when she might have done so without opposition.

The British point of view has generally been to consider each particular case on its own merits and to decide it on the basis of facts relating to the disputed area without reference to the general colonial situation. The facts that British statesmen considered relevant were principally those of trade, investment, and location. If British trade and investments in a given area exceeded those of any other power, British statesmen would argue that the territory should be British. If the territory in question bounded that of another power, as, for example, Morocco bounded the French territory of Algeria, Britain might concede that power the predominant political role. Conversely, if there were a case where some other power had greater economic interests in an area bordering British territory, British statesmen might still claim the area because of its location. Now, in view of the facts of trade and location of territory in the last half of the nineteenth century, a perfectly impartial disposition of colonial areas on these principles would have assigned them all to

France, Britain, or Holland. There was hardly a port in any part of the unappropriated world in which British trade did not exceed by a wide margin that of any other single power. Moreover, British colonies were scattered all over the globe. Germany and Italy had no colonies, Russia only her Asiatic possessions; hence the location argument was almost sure to strengthen the argument from trade and investment. France was the only great power which could ever invoke the argument from location against the universal British predominance in trade, and even she could invoke it in a few situations only.

With this explanation of the point of view from which the issues were regarded, we may make a brief statement of the main course of events with which British policy was concerned, treating the details in the sections dealing with her relations with the other powers.

During the period from 1860 to 1914, the age-old British policies of supremacy at sea, opposition to the strongest continental power, and independence of the low countries, were affected by certain more or less temporary conditions which were the immediate determinants of policy in particular situations.

In the first place must be mentioned the internal political situation. The franchise was extended by various steps until 1887, when manhood suffrage was practically attained. Nevertheless, it was only in the twentieth century that the working classes in the country became politically articulate and were represented by men of their own class in Parliament. For the most part, although the masses had the vote, they were satisfied to leave the actual conduct of government in the hands of the hereditary ruling class. This class was divided roughly along the lines of economic classes into Liberals and Conservatives. The Liberals represented the business and industrial elements; the Conservatives were the landed aristocracy, the successors of the old feudal nobility. The issues on which the party lines were drawn varied from time to time. Generally, however, the party lineup was such that the landed aristocracy and the imperialistic or military elements were in one camp opposing the commercial, industrial, and financial interests, whose slogan was peace, retrenchment, and reform.

The significance of this division for foreign policy was that the Conservatives were likely to pursue an aggressive expansionist policy, joining in the scramble for colonies for the sake

of colonies, while the Liberals were likely to advocate peaceful settlement of disputes by compromises or concessions, remaining largely on the defensive.

Another factor in British policy was the changes that were taking place in the relative economic strength of the great powers. The commercial and industrial leadership of the world that Britain enjoyed for a generation after the Napoleonic wars was altogether out of proportion to her population and resources. It was due to the fact that her territories were undisturbed by the wars which swept over the most advanced parts of the continent, that her iron and coal were advantageously located with respect to each other and to water transportation, and that many inventions and improvements in textile machinery and in steam engines were first utilized in Britain.

In the nature of things, these advantages could not be permanent. The peoples of the continent recovered from the ravages of war; they learned to use the new machinery; and the introduction of railroads offset to a large degree the British advantage of proximity to the sea. The inevitable result of these changes was that the continent as a whole, and especially Germany, increased in wealth and power more rapidly than did Britain. It would have been impossible for Mr. Asquith to have played the part of a Palmerston or a Disraeli in world affairs.

This change in relative power was taking place at a time during which the center of political attention was shifting from Europe to colonial areas. Until the Congress of Berlin, the chief centers of political attention were Italy, Germany, and the Near East. After that congress, France, with Bismarck's aid, turned her attention to colonies and Russia turned to Asia. When, a little later, Germany, Italy, and even Belgium and Spain began to look for colonies, the need for strength on the part of the erstwhile mistress of the seas was increased, while her actual strength, at least relatively, was declining.

The increasing industrialization of the country and the ensuing dependence on overseas food supplies still further emphasized the need for sea-power. The abandonment of the previous policy of "splendid isolation" was the result of these changes.

In the actual working out of these factors in the existing international situation, Britain's enemies were successively Russia, France, and Germany. Just before our period opens, Britain

and France together had opposed Russia in the Crimean War. Thereafter until 1907, Anglo-Russian hostility was accepted as one of the permanent features of European politics.

After the Franco-Prussian War, when France sought to retain her national prestige by colonial expansion, Anglo-French rivalry became acute, and at times Britain's relations with France were more hostile than her relations with Russia. There is much truth in the view that the hostility of France and Russia towards England generally varied inversely with their hostility towards the central powers.

When France and Russia were occupied outside Europe, Britain was their opponent. After Japan stopped Russian advances in Asia, and after Germany began to rival France in colonial matters, the central powers became the principal foe of France and Russia, and the latter settled their differences with Britain.¹

The interests of Britain and Germany were largely coincident, and their political relations remained friendly until the end of the century. To many statesmen, an Anglo-German alliance seemed to be the most logical path for Britain to follow if the policy of splendid isolation was to be abandoned. It was not until various attempts to reach such an understanding failed and until Germany began to build a powerful navy that the two powers came to consider each other as enemies. The Anglo-German conflict, which was so decisive for world history, represents, in my opinion, the greatest failure of diplomacy and statesmanship in modern times. The Germans, from the fall of Caprivi on, acted in their dealings with Britain with a short-sightedness bordering on stupidity, and have themselves to blame for their isolation. On the other hand, if there had been a Bismarck in the British Foreign Office, it is unlikely that the two countries would have come into conflict. We trace this development and the part played in it by trade and tariff friction in the next section.

Anglo-German Trade and Tariff Relations

In the cases so far studied, except where tariffs were used as an instrument of foreign policy, hostility arising from trade difficulties was related directly to the tariffs imposed by

¹ Cf. Hermann Bächtold, "Die einheitliche Zusammenhang der Modernen Weltpolitik," Weltwirtschaftliches Archiv, XVI (April, 1921), 459 ff.

the one country on the products of another. In the case of Germany and England, there is a very widespread and deep-rooted belief that trade difficulties were responsible for the hostility that brought the two countries to war. The holders of this belief, when asked for evidence, usually point to the rivalry of the two countries for export markets which is said to have led to their rivalry for colonies, either positively from a desire to exclude the other country, or negatively from the fear of being excluded by the other.

I am convinced that this trade rivalry was a very small factor in bringing about Anglo-German hostility, but the contrary belief remains such a powerful force in current world politics, especially in connection with markets and colonies, that I have treated the matter at greater length than would otherwise have been justified. On the whole, Anglo-German tariff and trade relations throughout the period were more satisfactory than those subsisting between any other pair of great powers.

The motives governing the conclusion of the treaty of 1862-65 between France and the Zollverein have been previously discussed; those involved in the Cobden Treaty of 1860 between France and Britain will be discussed in the next chapter. The economic motives that operated in the Zollverein in the one case and in Britain in the other are a sufficient explanation of the treaty between Britain and the Zollverein of May 30, 1865. This treaty provided for reciprocal and unconditional most-favored-nation treatment, without any tariff provisions except a mutual engagement not to prohibit or impose duties on the export of coal. The most-favored-nation clause was made applicable to British colonies and possessions, that is to say, the Zollverein goods were not to pay higher duties in the colonies than those of the mother country or any other country.¹

This treaty remained in force and operated satisfactorily until near the turn of the century. Britain followed a consistent free trade policy throughout the period, while Germany's tariffs were lower than those of any other great power. It has been calculated that the average ad valorem equivalent of the duties levied

¹Sir Edward Hertslet, A Complete Collection of the Treaties and Conventions, etc., between Great Britain and Foreign Powers so far as They Relate to Commerce and Navigation (commonly called Hertslet's Commercial Treaties), XII, 761; Fuchs, pp. 30-31.

by the great powers on goods exported by Britain was as follows:¹

<u>Country</u>	<u>Per Cent</u>
Germany	25
Italy	27
France	34
Austria	35
U.S.A.	73
Russia	131

In addition to being lower than those of the other powers, German duties were not subject to frequent change and were administered, at least as regards British exports, without the arbitrary action and delay that so often impeded trade between other countries.

As a result of these facts, trade between the two countries grew by leaps and bounds, and in the years immediately before the war, each was the other's best customer.

Finally, and of special significance for the argument with regard to colonial rivalry, both powers adhered loyally to the open door policy in their colonies.² It should be remembered, of course, that even the British colonies formed a small market compared with Britain herself. In 1909, for instance, Germany's exports to Britain were more than five times as great as her exports to Canada, Australia, India, and Ceylon combined.³

It is true that Germany's colonies were quite insignificant and that there was no mutuality in the arrangement. Some Germans feared that Britain might adopt the exclusive policy followed by the other great powers, and they knew that such an act would be a great injury to their trade which could not be offset by applying the exclusive principle to their own slender colonial domain. This fear was utilized by the Pan-Germans and the Navy League for their own ends, but it remains true that an Anglo-German conflict over trade would have been extremely illogical in view of the facts. Why should Germany wish to make war on Britain in order to obtain

¹Clapham, p. 322.

²Ibid., p. 252; W. Gerloff, "Der Wirtschaftliche Imperialismus," *Der Deutsche Krieg* (1915), No. 45, pp. 8 ff. This author quotes the *Manchester Guardian* of November 8, 1911 to the effect that English traders received no better treatment anywhere than in German Cameroons.

³Barker, p. 738.

access to markets that were already open to her? Why should Britain wish to make war on Germany, whose colonies had such a small foreign trade (in 1913 Germany's colonies took about 0.5 per cent of her exports!) and when that trade was already open to her on the same terms as that of her own colonies?¹

If Britain had wished to exclude Germany from trade with her colonies, she could at any time have done so by means of a tariff, and in so doing she would merely have been following the policy adopted by all the great powers except herself and Germany.

It is true that some writers explain Anglo-German antagonism on the basis of the fact that they were rivals in neutral markets. Thus Friedjung says:

"A struggle with England was inevitable once the German mercantile marine developed and her industry drove the British from numerous markets. Therefrom grew an opposition like that of Athens and Sparta, Rome and Carthage, or Spain and Holland. . . . The (English) ship-owner saw his profits grow less, the industrialist met a more capable and industrious competitor; every man in England would have been forced to work longer hours in order to meet German competition peacefully."²

Waldersee, writing in 1903, said: "I have no doubt England will soon show us her true face. It is a struggle for existence. England means to destroy Germany, her greatest rival in the world's markets."³

Paul Rohrbach writes, "The real enemy of Germany . . . the enemy who for the sake of his own commercial profits delivered Germany into the hands of the Muscovite and conspired to rob Germany of her rightfully earned place among the nations of the world, that enemy is . . . England."⁴

¹Parker Thomas Moon, Imperialism and World Politics (New York, 1926), p. 531.

²Friedjung, I, 253. Friedjung, who was capable of objective and scholarly writing, lost all sense of historical perspective in all his discussions of Britain. Das Zeitalter des Imperialismus is largely a "hymn of hate" against Britain.

³Waldersee, III, 215.

⁴Rohrbach, p. 154.

During the World War, German publicists were practically unanimous in the view that Britain had entered the war because of commercial jealousy.¹

As long ago as 1897, a writer in the Saturday Review contended that, "if Germany could be swept away tomorrow, every Englishman would be the richer."²

Even some British Cabinet Ministers made statements which gave the Germans cause for anxiety. Thus, in 1905, Arthur Lee, Civil Lord of the Admiralty, urged his constituents to turn their faces to the North Sea, and added that if war were declared it would be possible to strike the first blow before the enemy knew there was a war. This statement added to the suspicion caused by an article in the Army and Navy Gazette which had suggested that Britain veto any further increase in the German navy.³

Aside from the fact that these writers overlook the mutual benefits received by the two countries from the immense trade between them, they are all vitiated by a common fallacy, namely, the notion that a modern nation is destroyed by being defeated in a war. According to their theory, the defeat of Germany should have eliminated her as a competitor of Britain. The fact is that it was in the post-war period that Germany's exports exceeded those of Britain for the first time in history.

These arguments which seek to represent the Anglo-German antagonism as a result of trade rivalry were not only economically unsound, but were recognized as unsound by the politically dominant groups in Britain at the time. The Liberal Party, though containing some "Imperialists," was still attached to the belief in the mutuality of economic interests between nations. Grey himself states that the great commercial and industrial centers of England were the most peaceful and least anti-German, right up to the outbreak of the war.⁴ The Liberal press and the organs of the financial circles, especially The Economist, never ceased to plead for moderation and fairness.⁵

¹John Bakeless, The Economic Causes of Modern Wars (New York: Moffat, 1921), pp. 144-45, gives numerous quotations to the same effect.

²Ward and Gooch, III, 304.

³Ibid.

⁴Sir Edward Grey, Twenty-five Years (New York: Stokes, 1925), I, 131-34.

⁵Bernadotte E. Schmitt, England and Germany (Princeton, 1916), pp. 154-56.

There are only a few incidents in the tariff and trade relations of the two countries that require mention. The most important of these, and the only one that gave rise to official diplomatic correspondence of any extent, was that of the Canadian Preference.

In 1897, the Canadian Parliament inserted a provision in its tariff law lowering the duty on goods of countries that admitted Canadian products free. Goods from such countries were to receive a preference of one-eighth of the duty until June 30, 1898, after which the preference was to be one-quarter. The obvious intention and effect of the provision was to grant a preference to British goods. It is not known whether the Canadian legislators, in drawing up the bill, thought that its general wording would make it compatible with the treaties with Germany and Belgium which granted those countries most-favored-nation treatment in the British Dominions. At any rate, when the German government protested to Britain, the British government did not deny that the Canadian action was in violation of the treaty. When the Canadian government persisted in its desire to put the measure into effect, the British government denounced the treaties.¹

It should be pointed out that this policy was initiated by the Canadian government in the face of opposition by the British government. Some careless writers in Germany gave the impression that it was the first step in a British policy of tariff exclusiveness. Responsible German writers, however, stated the facts of the case. Thus Karl Rathgen wrote:

"The removal of this obstacle to preference (i.e., the treaties with Germany and Belgium) and eventually the denouncing of the treaties, was demanded by Canada but the English administration long refused. . . . Even after the change of government, Lord Salisbury declared, February, 1896, that he would not denounce such otherwise advantageous treaties. At the Colonial Conference of 1897 the Premiers of the Dominions were asked to state whether, after considering all the possible consequences, they wished the treaties denounced. The conclusion of the premiers was that they 'unanimously and

¹United States Tariff Commission, Colonial Tariff Policies (Washington, D. C., 1922), chap. xii, xiii, especially pp. 640 ff.

earnestly recommended the early denunciation of all treaties that would hamper closer trade relations between Britain and the colonies."¹

There followed a good deal of correspondence between the two governments.² Germany naturally did not want to lose her position of equality with Britain in the Canadian markets, especially because she feared that if she lost it in Canada she might lose it in all the British Dominions. It must be remembered that the argument went on until 1903, i.e., it coincided with the period of excitement on the continent occasioned by the Spanish American War and the Boer War, events which gave rise to the fear that the world was going to be divided among the three world empires. However, the German government did not have much of an argument to address to Britain. They said they could not be expected to accept the change without more ado,³ but the British government was able to point to two facts that rendered the position of Germany in the argument very weak. In the first place, Germany granted most-favored-nation treatment to the colonies of other countries, even in cases where those colonies granted preferences to the mother country; hence, there seemed no logical reason for refusing it to Canada, let alone attempting to get Britain to put pressure on the Dominion government. In the second place, the change was accepted by other countries without protest. In fact, the reason that Germany and Belgium had any occasion to discuss the matter was that their treaties dated from the time previous to the grant of fiscal independence to the Dominions. As Salisbury had pointed out at the time he denounced the treaty, "in all recent commercial treaties concluded by Great Britain, it has been customary to insert an article empowering the self-governing colonies to adhere, or not, at will."⁴

After the treaty expired, Germany extended most-favored-nation treatment to the British Empire, except Canada, by law,

¹Rathgen, "Englische Handelspolitik am Ende des 19en JHs," *Schriften*, XCI, 157 ff. The author adds that there was no hostility in Canada toward Germany or Belgium, the measure being directed against Canada's neighbor on the south.

²Great Britain, Foreign Office, *Correspondence with the Governments of Belgium and Germany, 1903*, Cd. 1630; Barker, pp. 148-73.

³Barker, p. 160.

⁴*Ibid.*, p. 152.

which was an exceptional procedure, the ordinary rule being that the goods of countries not having a most-favored-nation treaty would be subject to the German general tariff. Canadian goods were subject to the German general tariff from the expiry of the treaty. In 1903, the Canadian government, arguing that such treatment was unjustified, proceeded to insert a clause in the Canadian tariff imposing a surtax equal to one-third of the rates of the general tariff on the goods of any country which discriminated against imports from Canada.¹

Thus began a mild tariff war which lasted till 1911. German exports to Canada increased despite the surtax, and Canadian exports being mainly products of wide use and of easy marketability, suffered nothing more than a diversion of markets. Nevertheless, the German government, when this surtax was imposed, made a final effort to secure a return to the old position by hinting that it might not be possible to prolong most-favored-nation treatment to Great Britain if Germany were differentiated against in important parts of the Empire. This suggestion had been made during Salisbury's tenure of the Foreign Office, and he had returned a soft answer. Lord Lansdowne, however, replied to the suggestion with some spirit, saying:

" . . . should the German government persist in the attitude which they have taken up on this matter and extend to the products . . . of the United Kingdom, whose tariff is based on the most liberal principles, the discrimination which they have enforced against Canada, a very wide and serious issue must inevitably be raised, involving the fiscal relations of this country with the German Empire."²

This ended the correspondence, and the goods of the two countries continued to enjoy reciprocal most-favored-nation treatment, although no treaty was concluded. In December, 1903, a tariff debate took place in the Reichstag. The discussion indicated a very general desire to avoid any display of irritation at Canada's surtax on German goods on the grounds that it would only strengthen the hands of the British tariff reformers.³

¹Ibid., p. 165; U. S. Tariff Commission, p. 672.

²Barker, pp. 166-67.

³U. S. Tariff Commission, p. 651.

The effect of the controversy on Anglo-German political relations was bad, though slight. Thus Ward and Gooch say that it added to the store of ill-will that was accumulating between the two countries.¹

The editors of Die Grosse Politik remark that the brusque denunciation of the treaty caused bad blood in Germany and excited the Kaiser. The only evidence we have of this is his marginalia on articles in Munich papers. These articles expressed the view (which was correct) that the Canadian action might be directed against the United States. The Kaiser's note was: "Nonsense, against Germany."²

It should be remembered that the controversy over Canadian Preference extended over the period during which negotiations were proceeding on the subject of an alliance between Germany and Britain. In spite of the failure of these conversations, the German government maintained a more friendly attitude toward Britain during the Boer War than most other governments on the continent. When representatives of the Boer republics visited Europe, they were received by the Foreign Minister of France, but not by the Kaiser.³

While it is unsafe to put much stress on the failure of documents to mention a subject, it is at least relevant to point out that the Canadian Preference issue did not obtrude itself into the discussion of the alliance, nor into any of the other matters that were the subject of negotiation at the time.

The principal effect of the Canadian Preference, however, was indirect. It gave the Pan-Germans and the Navy League another argument for colonies and a navy, and in view of the paucity of arguments for these objectives, they made much of it.⁴

The business community paid little attention to the matter. One authority, in a book advocating efforts to come to an understanding with Canada while the Liberal or low-tariff party was in power, complained that little interest was taken in Canadian trade even in the circles most closely concerned.⁵

¹Ward and Gooch, p. 302. ²G. P., XIII, Nos. 3411, 3413.

³Ward and Gooch, III, 282.

⁴See the material quoted in Barker, chap. vi. The arguments of Schmoller, Sering, and Wagner, in Handels und Machtpolitik (Stuttgart: Cotta, 1900), are similar.

⁵E. J. Neisser, Deutschland und Kanada (Berlin, 1909), I, 103.

Fears were raised by the campaign for protection in England carried on under various names such as "Fair Trade," "Tariff Reform," etc. These movements, coinciding as they did with increasing tariffs in Russia and the United States, gave the German colonial group more good campaign material. The same is true of such measures as that requiring foreign-made goods to bear a mark indicating their place of manufacture, and the embargo on the importation of live cattle--ostensibly a sanitary regulation.

All this, however, must be regarded as mere propaganda. It emanated from academic, military, and naval circles, and not from the world of business. Economists who were willing to face facts admitted that free trade was the accepted British policy and practice. Thus Fuchs, writing in the 90's, admits that he can find no evidence of an intention to introduce concealed protection by means of the regulations mentioned.¹ Another economist, writing in 1913, says:

"The only answer given to the few members of Parliament who object to unlimited free trade is a smile. Now as before, it is an established fact that free trade is the policy of both parties."²

In reply to the argument that trade rivalry engendered rivalry for colonies and this latter led the countries into war, two observations are sufficient. In the first place, Britain welcomed the advent of Germany as a colonizing power because of her liberal colonial tariff policy. Granville said to Herbert Bismarck, "If Germany pursues a policy of acquiring colonies, we shall rejoice. Quite otherwise with the French, who put up high tariffs wherever they colonize and do us infinite harm."³ Dilke spoke in the same vein: "Public opinion will accept your establishments in the Cameroons and behind Zanzibar if you allow the greatest possible freedom of trade, but will oppose you if you adopt the French or Portuguese system of exclusion."⁴

¹Fuchs, pp. 105-6.

²Fritz Diepenhorst, "Eine Wirtschaftliche Betrachtung zum Deutsch-Englischen Problem," Annalen des Deutschen Reiches (1913), p. 579.

³G. P., IV, No. 64.

⁴G. P., IV, No. 101, March, 1885. In this same dispatch Herbert Bismarck adds, "Gladstone said he rejoiced at our civilizing aspirations (but) there is no point in discussing foreign policy with him; he has no comprehension of it."

In spite of the friction that arose from rival claims and conflicting views as to the proper basis for adjusting these claims, German statesmen have conceded some measure of fair play in British colonial policy. Bülow, who reported to the Kaiser that the Samoa Question showed that colonial ventures could be undertaken only by a strong naval power, later admitted that the Samoa question was settled on terms distinctly favorable to Germany.¹ Viscount Gough, Secretary of the British Embassy in Berlin, reported that the entire press of the country hailed the settlement of the Samoan Question with unbounded satisfaction.²

During the Morocco negotiations, Kiderlen-Waechter was asked why he insisted on so much detail; he replied, "I will tell you frankly. If I had decided to let England occupy Morocco . . . I should not have demanded the slightest economic guarantee, because in the English colonies everybody can work."³

Walter Lotz, one of the ablest of German economists, wrote: "Germany enjoyed all the economic advantages that it could have had if it had been a great colonial power burdened with the expense of a fleet and a colonial army."⁴

The second and convincing reply to the colonial rivalry argument is the fact that by 1914 Great Britain and Germany had settled all outstanding colonial questions by means of friendly discussions, with no threats of war such as those that marked the rivalry of Germany with France or the rivalry of Britain with Russia and France.

Even in cases in which there was rivalry for colonies, the trade motive frequently was subordinate to the old illogical feudal desire to acquire sovereignty over land. For example, Britain and Germany were for a long time pleading their claim to Samoa. The negotiations on the subject fill a large part of one volume of Die Grosse Politik. Bülow said that more had been spent on telegrams relating to Samoa than the islands were worth. But

¹Ibid., XIV, 592, No. 4053; Bülow, Imperial Germany, p. 116.

²Great Britain, Collected Diplomatic Documents on the Origins of the War, eds. G. P. Gooch and Harold Temperley (London, 1927 et seq.), Vol. I, No. 155. (Henceforth cited as B. D.)

³Caillaux, p. 211.

⁴Lotz, "Die Handelspolitik des Deutschen Reiches unter Caprivi und Hohenlohe," Schriften, XCI, 60 ff.

it was only after agreement had been reached on a general settlement that Salisbury brought forward, among other minor points, the question of most-favored-nation treatment in the islands.¹

The weakness of the trade-colonial rivalry theory becomes still clearer if we make a few comparisons. France and Russia not only had higher tariffs than Germany, but followed the closed door or assimilation policy with regard to their colonies. Britain had for decades opposed these powers, partly because of their restrictive trade policy. Why, then, did she ally herself with them in opposition to Germany? To answer this we must briefly trace Anglo-German political relations through the period.

Anglo-German Political Relations

It is not necessary to go into the details of the period prior to the accession of William II. The relations of the two countries, notwithstanding minor cases of friction, remained friendly. Bismarck disliked the liberalism of Gladstone and the "arrogance" of Disraeli but would never admit the possibility of a conflict with Britain. During his tenure of office there were frequent suggestions of an Anglo-German alliance. In 1879, Bismarck gave as one reason for the alliance with Austria-Hungary the argument that Austria would carry England along with her.

On January 10, 1885, addressing the Reichstag, Bismarck said, "I would ask the last speaker not to make any attempts to disturb the peace . . . by hinting that some day we may find ourselves in armed conflict with England. I absolutely deny that possibility." On January 26, 1889, he said, "English colonial interests compete with ours in numerous places and subordinate colonial officials are occasionally hostile. Nevertheless we are acting in perfect unison with the British government. . . . I see in England an old and trusted ally. No differences exist between England and Germany."²

He also gave an unanswerable argument against attempting to rival Britain in sea power: "Even if we should succeed in building up a navy as strong as that of England, we should still

¹G. P., Nos. 4115-17; Staatsarchiv, bd. 64.

²Barker, pp. 254-55. Chap. vi of this work contains numerous quotations from German writers arguing that an Anglo-German war must result from trade rivalry.

have to fear an alliance of England and France. Those powers are stronger than any single power in Europe is or ever can be."¹

Friendly relations continued during the chancellorship of Caprivi. As was noticed above, the Heligoland Treaty and the interchange of royal visits made it appear that the Triple Alliance had joined hands with Britain.

It was during the chancellorship of Hohenlohe that mutual distrust, dislike, and fear began to assume considerable proportions, and during that of Prince Bülow that hostility reached its height.

Throughout this period German foreign policy was largely influenced by Baron von Holstein, and his influence led to most unfortunate results. Holstein had been in the Paris embassy under Harry von Arnim and had acted for Bismarck as a spy on his superior. This won for him the favor of Bismarck and a place in the Foreign Office, but made him unpopular in Berlin military and political circles. On Bismarck's fall, it was rumored that Holstein had been the leader of a clique that had betrayed his chief. This increased his unpopularity and confirmed him in his retiring habits. His influence did not diminish because his mental ability, industry and long experience had made him one of the best informed men in Europe. The unfortunate part of it was that his retiring habits prevented him from coming in contact with foreign ambassadors and thus from keeping in touch with changing currents of thought. It also prevented his naturally suspicious mind from obtaining the corrective that comes from personal contact. The result was that he trusted none of the powers, suspected them all, and could not believe that such antagonisms as the Anglo-French and the Anglo-Russian could ever be settled except by war. It was thus largely due to his influence that Germany rejected Chamberlain's offer of an alliance.² He was also largely responsible for those theatrical acts of German foreign policy which startled Europe at various times and which came to be known as saber-rattling.

In a sense, German foreign policy under Hohenlohe and Bülow, i.e., while Holstein's influence was greatest, can be said

¹Ibid., p. 254. It should be noted that this argument applied with increasing strength as the years passed and Russia and Britain passed over to the side of France.

²Cf. Eugen Fischer, Holsteins Grosses Nein (Berlin, 1925).

to be the opposite of Bismarck's. Bismarck had been careful to steer a safe middle course between the great rivals of his day, England and Russia, and Holstein and his friends thought they were following Bismarck in their policy of the "free hand." The contrast consisted in the methods. Bismarck made alliances with everybody and used the wording of the alliances and his own prestige to avoid getting into embarrassing situations, as for example, when he told his ally, Austria-Hungary, that he would not consider himself bound to intervene if Russia attacked as a result of provocative action by Austria in the Balkans. The result of this was that Bismarck kept France isolated and France was the one power which was a constant threat to Germany. The Holstein policy of refusing all alliances left the way open for French diplomacy to come to an understanding first with Russia and later with England, thus completing what the Germans call the "encirclement" or "isolation" of Germany.¹ As a matter of fact, the policy of the free hand was not free at all, but put Berlin in a position of dependence on Vienna. Whereas Bismarck maintained the friendship of Russia and was thus able to use strong language to his ally, Holstein got Germany into a position in which Austrian statesmen knew that Germany would come to their assistance under any circumstances.

France, however, could not have succeeded in isolating Germany but for other mistakes of German policy, especially their decision to build a fleet that would rival England's. In my opinion, the building of the German fleet was one of the very few important matters in which German policy was affected by the fact that the chancellor in the German constitutional set-up was responsible to the Kaiser and not to the elected Reichstag. The fleet was the Kaiser's pet idea. One of the principal qualifications for the post of chancellor under William II was the willingness and capacity to further the fleet project. Bülow met this test, although there is some evidence that he did not himself approve of the attempt to rival Britain.²

¹Cf. Otto Becker, Bismarck und die Einkreisung Deutschlands (Berlin, 1923-25).

²Otto Hammann, Zur Vorgeschichte des Weltkrieges (Berlin, 1919), pp. 144-45.

The small navy bill of 1898 had difficulty in passing the Reichstag, and it was feared that further demands would be refused. In order to create a public opinion favorable to the navy and thus to put pressure on the Reichstag, the German Navy League was formed in this year. This league had at its head several of the Kaiser's intimates and many of the most influential men in Germany including the Kaiser's brother, Prince Henry, the President of the Prussian House of Lords, Prince William of Wied, and the Grand Duke of Baden. With the support of the ruling classes, the League became a most powerful propaganda machine. Its membership reached about one million; its paper, Die Flotte, had a circulation equal to twice that of the four largest political journals of Germany combined.¹

The propaganda of the League was ably conducted. Renowned economists and historians lent the weight of their names to the movement, albeit the ideas it disseminated were largely false and wholly pernicious. The major premise of their argument was that the interests of nations are mutually antagonistic, that there is a struggle for existence between nations, and that the outcome of that struggle is determined by war. The minor premise was that Britain and Germany were the great industrial and commercial rivals of the time. The conclusion was that Germany needed a fleet, since without a German fleet Britain could not be beaten. However, as most Germans did not see any signs of hostility on the part of Britain, whose navy admittedly could have destroyed German shipping any time it chose, it was necessary to create the entirely groundless fear of a British attack. Britain was represented as having successively attacked every nation that rivalled her in trade-- Spain, Holland, and France. Germany was warned to prepare quickly, before Britain found an excuse to attack her. Most of the historical illustrations used had very little relevance to modern conditions because they were taken from a period in which there was practically no distinction between trade and piracy and no distinction at all between a merchant vessel and a man-of-war. In ancient and mediaeval times a trading nation had to be able to defend itself; in modern times piracy is put down by all nations, and weak powers like Norway and Holland ply their extensive trade without molestation and without fear.

¹Barker, chap. xiv.

There is some evidence for Barker's statement that "the German government gets support for the fleet by artificially creating animosity towards Great Britain." Thus Bülow states that it was possible to rouse public opinion on the navy question only by harping on the string of nationalism.¹ However, the anti-British propaganda in Germany was aided at this time by two events--the Canadian Preference, discussed above, and the Boer War.

The South African War was represented as an example of British imperialism, as an outrageous attack on innocent and defenseless states; the Liberal policy of peace was represented as a temporary departure from normal British policy to which the war was a return.² Esslen, writing after the war, says, "After 1815 England only seemed to renounce warlike methods in trade policy Ever since the introduction of free trade, an insatiable hunger has been evidenced. [Britain has seized] Burma, Baluchistan, Egypt, the Soudan, Uganda, and South Africa."³

Even before the war broke out, the Kaiser's interest in the Boer republics had caused a flare of hostility between Britain and Germany. One Dr. Jameson, an intimate friend of Cecil Rhodes, then Prime Minister of Cape Colony, led a disgraceful raid into the Transvaal. An expected insurrection failed to materialize and Jameson surrendered. The Kaiser sent a telegram to President Kruger congratulating him on repelling the "armed hordes without appealing for help from friendly powers." This phrase raised a storm in Britain where the Boer republics were regarded as being under the suzerainty of Britain.⁴ Count Reventlow declares that British anger at the telegram to Kruger converted Germany to the idea of a fleet.⁵

When the war broke out, the press of the continent was almost unanimously hostile to Britain, and British statesmen learned the drawbacks of their policy of isolation. Britain had already

¹Ibid., p. 267; Bülow, Imperial Germany, p. 23.

²Friedjung, chap. i, pp. 14-19, and chap. iii, entitled, "Der Englische Imperialismus," is typical of a flood of writing. Cf. Schmoller, Sering and Wagner, I, 21.

³Joseph B. Esslen, Die Politik des Auswartigen Handels (Stuttgart: Enke, 1925), pp. 148-50.

⁴For this episode see G. P., Vol. XI, passim.

⁵Count Ernst Reventlow, Deutschlands auswärtige Politik, 1888-1914 (Berlin, 1916), p. 96.

(in 1898) attempted in vain to come to an understanding with Russia and the same year had brought her to the verge of war with France. Hence, it was natural that Britain should turn to Germany, especially as the Kaiser had expressed a desire for a treaty.¹ The Kaiser visited Britain in the fall of 1899, i.e., after the outbreak of hostilities, and he and Bülow had long conversations with Chamberlain. Ten days later, Chamberlain advocated an alliance with Germany in a public speech. This speech produced a storm of indignation in the German press at the suggestion that Great Britain could be a fit ally for the German Empire. The German government did nothing to check this outburst and Bülow made a speech in the Reichstag ignoring Chamberlain's offer and stressing the need of a strong navy.²

In the course of the next month (December, 1899), three German mail steamers were stopped on the high seas on suspicion of carrying contraband, and taken to Durban, Natal, to be searched. Indignation ran high in Germany, and Tirpitz and the Navy League exploited it to prove the necessity of a powerful navy. A new navy bill was introduced in February, 1900, providing for a navy twice the size of that voted in 1898. It passed without difficulty, as did all subsequent bills providing for naval appropriations.

Thus we see that the German navy did not originate in the needs of German commerce for protection, nor as part of a defense program against Germany's recognized enemies. (It was generally agreed at the time that a war on the continent would be decided on land.) It was the Kaiser's own scheme put over by skilful propaganda, assisted by a couple of fortuitous events.

This somewhat accidental feature of German policy was the principal determinant of Anglo-German relations up to the World War. English historians and statesmen are practically unanimous on this point,³ and it is admitted by many German and Austrian historians. Thus Pribram said, "Time and again, however [the British Government] emphasized the fact that, unless Germany reduced her naval armaments, any change in their policy was

¹Alfred Francis Pribram, England and the International Policy of European Great Powers, 1871-1914 (Oxford: Clarendon, 1931), p. 69.

²Ward and Gooch, III, 278.

³Cf. Ernest L. Woodward, Great Britain and the German Navy (Oxford: Clarendon, 1935).

impossible, for the German naval program worked upon public opinion in a sense hostile to Germany. Haldane, like Grey, declared that the German naval program was alone responsible for the anti-German feeling in England."¹

Lutz, a severe critic of Grey, writes, "The German naval policy was a substantial contributory cause of the war, and the economic competition between the two peoples cannot rightly be placed in the foreground instead. Certainly there was commercial jealousy of Germany in England but the decisive factor in British hostility toward Germany was not these economic questions but the battleships."² Both Bülow and the Kaiser realized this. Thus Bülow stated, "Agreement with Britain could have been obtained only at the cost of giving up our aim--the fleet."³ And the Kaiser said, ". . . . good relations with England at the price of the building of the German navy are not desired by me. If England intends to extend us her hand only with the intimation that we must limit our fleet, this is pure impertinence. . . . [The naval] law will be carried out to the last iota; whether it suits the British or not does not matter."⁴

Other factors, of course, contributed to the abandonment of the British policy of splendid isolation and the formation of the Entente with France. These are discussed in the next chapter. But the point to be emphasized is that it was the British fear and distrust of Germany that drove Britain into the position of an ally of France rather than of an impartial upholder of the peace of Europe. British distrust of Germany grew largely out of the blustering attitude adopted by the German government under the influence of Holstein and Bülow; British fear of Germany was rooted in the fleet.

I must, however, reject the commonly accepted idea that German-British relations grew steadily worse from 1900 to the outbreak of the war. The fact is that from the second Morocco crisis

¹Alfred Francis Pribram, England and the International Policy of European Great Powers, 1871-1914, pp. 120-21.

²Hermann Lutz, Lord Grey and the World War, trans. E. W. Dickes (New York: Knopf, 1928), p. 158.

³Bülow, Imperial Germany, pp. 39 ff.

⁴Alfred Francis Pribram, England and the International Policy of European Great Powers, 1871-1914, pp. 120-22.

they improved rapidly. This was largely because of the confidence British statesmen came to repose in Bethmann-Hollweg. As the latter said in 1913, "It seems to me that the confidence which has long been lacking is beginning to return." Lloyd George said on January 1, 1914, that relations with Germany were infinitely more friendly than they had been for years.¹ Lord Loreburn writes:

"As soon as the Moroccan affair was settled, the government of which I was a member thought it could and should attempt an agreement with Germany the negotiations commenced the end of 1911, progressed favorably and had reached an accord before the war broke out. The thing strange to state today is that the German and English governments had come to be on excellent terms in the summer of 1914."²

Lichnowsky reported with regard to the Portuguese colonies question, "Thanks to the accommodating spirit [shown by Britain] the new agreement fully accorded with our wishes and interests." Even pronounced Anglophobes like Rohrbach admitted that a reconciliation had taken place. He says:

"As soon as England began to recognize Germany's pacific intentions, all obstacles for a permanent understanding seemed to be removed England no longer objects to the building of the Bagdad Railway Germany is now able to expand her interests in Africa without incurring England's protest."³

The fleet was the one question on which agreement was not reached, and while it seems probable that a few more years of Bethmann-Hollweg's leadership--if peace had been maintained--would have resulted in agreement on this issue, the fact remains that the German fleet and the fear it caused in Britain were the major factors in determining Anglo-German relations in the period just before 1914. Their conflict in 1914, of course, grew out of the quarrels of their allies, not out of any Anglo-German difficulty.

¹Ward and Gooch, III, 476-77.

²Earl Robert J. Loreburn, How the War Came (New York: Knopf, 1920), pp. 92-93.

³Rohrbach, pp. 76-80. Further evidence of improvement in Anglo-German relations may be found in Sir Sydney Lee, King Edward VII (New York: The Macmillan Co., 1925-27), II, 528; Richard Burton Haldane, Before the War (New York: Funk & Wagnalls, 1920), pp. 37 ff., 57 ff.; Grey, I, 110; B. D., Vol. III, chap. xxii; G. P., Nos. 7181-93, 7815-16.

To sum up for Britain and Germany, we may say that their trade and tariff relations were friendly throughout the period with the exception of the single incident brought up by the Canadian tariff preference to British goods. This was a decidedly minor episode in the relations of the two countries although it indirectly contributed to their estrangement by aiding (along with other insignificant items like the Merchandise Marks Act and the campaign for protection) in the success of the German Navy League propaganda.

The political relations of the two powers passed through three phases: a period of friendship, 1860-96; a period of growing fear and hostility, 1896-1911; and a period of improving relations, 1911-14. No cases are discoverable in which general policy was subordinated to tariff policy, nor, was there a case in which tariff policy was subordinated to general policy.

CHAPTER VIII

BRITAIN AND FRANCE

The Cobden Treaty

Since the general outlines of the tariff policy and foreign policy of Britain and France have already been given, we now have merely to trace the interactions of their tariff and political relations.

In a general way, the case of Britain and France is the converse of that of Britain and Germany. Germany and Britain had been friends for generations and were finally dragged into war; France and Britain had been enemies for centuries but joined forces in the war of 1914-18. Anglo-German tariff relations, especially in their colonies, had been harmonious; Anglo-French tariff relations, especially in their colonies, were very unsatisfactory and were a major source of ill will and rivalry over colonies, though this did not preclude political friendship. The details in which this situation is to be traced need not take up much space because there is no substantial disagreement among historians regarding the facts or their interpretations.

The most important event in the tariff relations of the two countries occurred at the beginning of our period. It was the so-called Cobden Treaty of 1860. To this we now turn.

It is customary to regard the genesis of this treaty as the simple result of the desire of Napoleon for freer trade relations coinciding with the free trade views generally accepted in England. In other words, that no factors other than the Emperor's views entered on the French side, and that on the English side acceptance was a matter of course. As a matter of fact, the treaty was the result of the operation of a great number of forces whose interactions were by no means simple.

The simplest exposition of these forces seems to be obtained by representing the two governments--that of Napoleon III, and that of Lord Palmerston--as the points of concentration of the various forces which eventuated in the treaty. Following

conventional usage, we shall first consider Napoleon's personal views. It is, of course, impossible to estimate with any approach to accuracy the relative strength of the various forces tending to a common end, especially in the case of so secretive a person as Napoleon, but we can give the evidence of contemporaries who were close to the events, and draw inferences from certain known facts in the situation.

The general opinion is that before coming to power the Emperor was a protectionist, but this view is based on a pamphlet on the sugar industry written by Napoleon when a prisoner in the fortress of Ham and when anything he said or wrote was an appeal for popular sympathy.¹

The opinion of Chevalier, in 1852, was as follows:

"The Prince-President inclines toward Protection. I made sure of this through repeated attempts to influence him toward liberty. Nevertheless, he is so anxious to promote the welfare of the people that I am certain he would go very far indeed if he were urged by his Ministry."

But apparently, in 1859, he did not need to be persuaded of the advisability of the treaty. Cobden writes of his interview with Napoleon on October 27 of that year:

"We talked over an hour. I fear I talked too much, but Napoleon listened attentively and his comments made me believe he is well disposed toward Free Trade. I had heard he was before, even his enemies say so. But I find him badly informed; . . . I was struck by his fear of small group of monopolists . . . Like all Frenchmen I know, except my friend, Chevalier, the Emperor seems to lack moral courage. I got from this interview the impression that the Emperor, if let alone, would immediately adopt the Free Trade policy."²

However, it appears that he was not unresponsive to protectionist arguments. After the Emperor had committed himself to the treaty in principle, he proposed to omit from it all allusions to raw material and agricultural products, and insisted on a higher maximum rate of duty than some of his ministers had suggested in negotiating with Cobden. Even in January, 1860, when

¹Arthur L. Dunham, The Anglo-French Treaty of Commerce of 1860 (New York, 1930), p. 62.

²Ibid., p. 59.

the treaty was practically ready for publication, it seems that the arguments of the protectionists had almost persuaded the Emperor to back out. At any rate, Cobden was asked whether he would have any objection to the government's submitting the treaty to the Chambers.¹ Now, as the idea behind the treaty was to accomplish a reform which all concerned knew it to be impossible to accomplish by legislation owing to the strongly protectionist views of the Chambers, submitting the treaty to the Chambers was equivalent to killing it.

On the question of one detail of the treaty, namely the duty on iron, the Emperor was responsible for maintaining a specific rate above that contemplated for the maximum. Meredith states that there is authority for the view that this exception was not due to a consideration of what was economically speaking advantageous to France, but to the personal influence of an iron master, Schneider, over the Emperor.²

The truth would appear to be that like most of the Moderate Tariff Party in France, Napoleon had not come to the free trade position but felt that the existing regime was too restricted and that French industry was in need of the stimulus of competition,³ that freer trade would be in the interest of the poorer classes, and that much of England's progress was due to her liberal policy. In his interview with Cobden already referred to, he "spoke with veneration of the name of Peel, 'Je serais enchanté et flatté de l'idée d'accomplir la même oeuvre en France; mais les difficultés sont grandes. Nous ne faisons pas de réformes en France: nous ne faisons que des révolutions.'"

All this is not inconsistent with a good deal of mercantilism, such as the idea that one country can permanently undersell another in all lines of production. Certainly we cannot accept Chevallier's statement, "Not having studied the question, he is naturally a Free-Trader. Free Trade is the obvious common-sense doctrine."⁴ Free trade theory is not by any means obvious;

¹Ibid., p. 80.

²Hugh Owen Meredith, Protection in France (London: King, 1904), p. 11.

³Letter to Fould, January 5, 1860, Dunham, pp. 83-84.

⁴William N. Senior, Conversations with Thiers and Others (London: Hurst, 1878), I, 314-15.

protection is the doctrine that appeals to the untutored mind; it is obvious that protection can benefit one industry and to see how its application to all industries can be injurious requires ability to think. This view of the Emperor's opinions is borne out by the pronouncement in the introduction of the Bill of 1856 to abolish prohibitions.

"What ought to be the regulating influence of the tariff?

It ought to equalize the conditions of the struggle, to remove all possibilities of a foreign product appearing in the home market with more in its favor than what is produced in France."¹

This view--that trade is beneficial and should not be subject to prohibitions but also that French industry must be protected by tariffs high enough to make the conditions of competition with foreign industry equal--is consistent with the action of the Emperor throughout.

However, it is perhaps artificial to try to separate the Emperor's views from the influences that were brought to bear upon him, since his views would naturally change with these influences. The most important person in this connection was unquestionably Michel Chevalier. This enthusiastic reformer had been a member of the St. Simonian cult in his youth and had retained the humanitarian impulses of that school together with a good deal of their impatience with, and distrust of, democracy. Moreover, after having had one term in the Chamber of Deputies, he sought reelection and met defeat--by all odds the most impressive possible demonstration of the incapacity of electors. This leaning towards autocratic methods is important in two respects: in the first place, it influenced him to accept Napoleon's coup d'état which gave him a place of influence in the new government; and in the second place, it inclined him to urge on Napoleon the idea of bringing about the tariff reforms by means of a treaty, even though he knew that the great majority of the Deputies would be opposed to its terms.

Chevalier had urged the negotiating of the treaty of commerce at the time of the negotiations leading to the conclusion of the Crimean War. He induced Lord Clarendon, the British representative in Paris, to communicate with Lord Palmerston but the

¹Meredith, p. 36.

latter rejected the proposal on the ground that it was impracticable to reduce the British duties on French wines which would have been involved in any understanding acceptable to France.

Chevalier's next advocacy of the treaty was made in letters to Cobden. Cobden objected that a treaty was opposed to the principles on which the English tariff reform had been based. He argued that these principles required all nations to be treated alike in commercial matters. Chevalier finally persuaded him that the treaty could be so framed that England would extend to all nations the modifications in her tariff which she conceded to France. And as it was clear that a treaty was the most practicable, if not the only, method of securing the adoption of a liberal tariff in France, Cobden was finally won over to the idea of a treaty and spared neither time nor pains in his effort to secure its adoption. By 1859, it appeared that the Emperor had come around to the idea of a treaty and, in the meantime, Chevalier had convinced some of his most influential ministers and supporters, especially Rouher and de Persigny.

Cobden is commonly given credit for persuading the Emperor to accept the treaty. According to his own statement, he found the Emperor quite in favor of the plan,¹ but Cobden's influence must have strengthened his determination which was not quite ready for decisive action. The French protectionists represented Cobden as the hired man of the English industrialists and, as is quite usual in such cases, represented the French negotiators as having been outwitted by this clever foreigner. Cobden knew he would be suspected in France and tried to make it clear that his main interest in the treaty was for its political effects.

"The honest truth is I feel no present solicitude for an extension of our foreign trade . . . it is very difficult to manage the working classes owing to the great demand for their labor . . . If we were to have any sudden and great expansion of demand from abroad, it would probably throw the relations of Capital and Labor into great confusion . . . But on totally different grounds I should be glad to see a removal of the impediments to the intercourse between the two countries. I see no other hope for any permanent improvement in the political relations of France and England. . . . The

¹Dunham, p. 58.

people of the two nations must be brought into mutual dependence by supplying each other's wants."¹

It might be noted at this point that the two chief architects of the treaty, while approving it on economic grounds, were advocating it as a means of improving the political relations of the two countries, and that in Cobden's case this was the dominant motive.

Of the views of different members of Napoleon's Council of Ministers, we have two pictures, one in 1852 and the other in 1859. In 1852, Chevalier wrote:

"The Cabinet is divided. The Minister of Finance, Bineau, is an intriguer who has close connections with the iron-masters. He is our opponent. The Minister of the Interior, de Persigny, who has influence, wavers. The Minister of State, Fould, is more inclined toward Free Trade than the others. . . . There remains as a possibly decisive factor the question of balancing the budget."

In 1859, Cobden wrote that, according to Rouher, the Council was very much divided and the majority protectionists. Magne, now Minister of Finance, led the opposition to the treaty and had sent the Emperor a long memorial begging him not to enter on a policy that would ruin his country. Billault, now Minister of Interior, was also a protectionist. Walewski seemed to be wavering. Rouher states that he supported the treaty strongly, adding that if Walewski refused to do so he would assume the responsibility of signing the treaty and if, as a result, a sacrifice must be offered to the protectionists, he was ready to be the victim.²

Somewhat the same division manifested itself at the meeting of the Council on January 3, 1860, at which the negotiations for the treaty were authorized officially.

Thus, the influence of the Cabinet Ministers was not preponderantly in favor of free trade. Little change had taken place since 1852 except that Rouher and Fould had by this time been convinced by Chevalier and Cobden, and were strong for the treaty. De Persigny was now also a strong advocate of the treaty. (He was now Ambassador to England but was present at the meeting of the Council at Napoleon's request.) De Persigny was said to be one of the few men who were so intimate with Napoleon that they dared speak freely to him.³

¹Ibid., pp. 51-52.

²Ibid., p. 74.

³Ibid., p. 55.

At this meeting of the Council, it seems that the political argument was decisive. Cobden reported, "De Persigny and Fould urged strongly the political motives for going on with the treaty. As a result, Magne, though not converted, was subdued."

Among the more important impersonal factors influencing the Emperor's decision must be mentioned the French protectionist movement. As Meredith point out, the bulk of French opinion was, and is, mercantilist. This is no doubt explained by the conditions of French agriculture and industry. The absence of a class of wealthy landowners, drawing their income from rents, or, what is the converse of this, the fact that so much of French agriculture, industry, and commerce was carried on by small-scale operators made the type of agitation which brought about free trade in England quite ineffective in France. It was not possible to represent the landowner as an exploiter when he was typically a hard-working and impecunious peasant. Small-scale manufacturers, producing mainly for local markets, were very little interested in conditions of competition on the world market.

Cobden himself realized that public opinion in France was strongly protectionist. He is quoted as saying, "It would hardly be possible to assemble five hundred persons together by any process of selection, and not find nine-tenths of them at least in favor of the present restricted system."¹

In negotiating the Treaty of Commerce, however, the Emperor was shielded from the full force of the protectionist arguments. Having once been convinced of the desirability of a liberal treaty, he wanted to have it presented as a fait accompli in order to forestall the protectionist outburst which he knew would arise if the terms of the proposed treaty became known in advance. Consequently, the whole matter remained a carefully guarded secret; even the protectionist Ministers were not informed until negotiations were practically complete. Thus, the protectionists, not knowing what was going on, were unable to present their arguments, and although Napoleon, on the insistence of Magne, made a formal fulfilment of his promise to hold an inquiry before making changes in the tariff, the enquiry only lasted two days and consisted of private hearings of a few men summoned by Napoleon himself. The inquiry did not influence matters at all, since on the day the

¹Sydney Buxton, Finance and Politics (London, 1888), p. 224.

inquiry began Napoleon published his letter to Fould expressing his plans for the development of industry and commerce. This letter was meant to prepare public opinion for the announcement of the treaty, and coupled the suggestion of the desirability of introducing a degree of foreign competition with the proposal for a government loan and other measures to assist French industry to meet competition.

Two long letters by Chevalier had already been published in the Journal des Débats, expressing the friendly and peaceful attitude he had found prevailing in England. The chorus of approval on the part of the English Liberal press which greeted these letters would naturally tend to do something to make for better feelings between the two countries. There is no better field than that of International Relations for the practical application of Couéism.

The international situation was another factor of great influence. It was the common impression in England that the Emperor had proposed the treaty in the hope of reconciling England to his annexation of Savoy. It is true that when Senior asked Chevalier whether this were the case, he replied, "Utterly false. The Emperor never thought on the subject until Cobden and I suggested it to him. Perhaps he may have adopted our suggestion more readily because he thought it would please England. But I am sure that he also thinks that it will be useful to France."¹ Without contesting the accuracy of this statement, it is still possible to argue that even if the idea of the treaty did not originate with Napoleon the desire to mollify English opinion was still an important influence.

There is no doubt that the relations between the recent allies were very bad. A large part of English opinion resented the Treaty of Paris of 1856 on the ground that it ended the war before the Russian army had been defeated in a predominantly British victory. French irritation resulted from the hatching in England of a plot to assassinate the Emperor. Lord Palmerston's attempt to satisfy the French by the introduction of a Conspiracy Bill caused the fall of his government in 1858. The succeeding Derby Ministry was anti-French and feeling ran high. There was much talk of a French invasion. Companies of volunteers were organized

¹Senior, loc. cit.

throughout England. Palmerston returned to power early in 1859 but made no attempt to improve the situation and continued to give government support to the volunteer movement even advocating increased armaments and heavy expenditure for coastal fortifications.

On January 5, 1860, Cobden wrote to Cowley in London:

"The Emperor wants to strike all Europe with a sense of confidence and bon accord between the two countries, and wants the Queen's speech and his to the Corps Législatif to be delivered on the same day. Fould asks, 'Could Parliament be postponed to February 2nd. or 4th?'"¹

In view of the circumstances and of the opportunities Cobden had for forming a judgment, it is difficult to conclude that he was mistaken when he wrote to Cowley, December 15, 1859, "I have said from the first that the political effect . . . is what the French government considers most important."²

It has frequently been said that in concluding the treaty France made great concessions to obtain reductions in the English tariff which it was known England would shortly enact in any case, and that the acceptance of the treaty by England was a matter of course. Neither of these propositions is true. Chevalier had suggested the treaty, in 1856, and Palmerston had rejected it precisely because it would have involved reductions in the British wine duties which he would not consider. Now, Palmerston was again Premier in 1859; the difference in the situation consisted in the fact that Chevalier, in the meantime, had won over Cobden and Bright, and through them Gladstone and Lord John Russell. The fact that Palmerston's majority was now so slight that he was dependent upon the support of the group lead by Cobden and Bright may have influenced the situation somewhat, but it seems that what really happened was that Cobden and Chevalier had created enthusiasm for the project in the mind of Gladstone and that he had won over the Cabinet. Gladstone wrote to Cobden on January 12, 1860,

"I said that the Cabinet readily assented but it was not the readiness of zeal such as yours, except on the part of a

¹John A. Hobson, Richard Cobden, The International Man (New York: Holt, 1919), p. 249.

²Lord Cowley, The Paris Embassy During the Second Empire (London, 1929), p. 193.

few. . . . A majority of the Cabinet is indifferent or averse There are four or five zealous, perhaps as many who would rather be without the treaty. It has required pressure, but we have got sufficient power now, if the French will do what is reasonable. Lord John has been excellent, Palmerston rather neutral."¹

To make Gladstone's task of convincing the Cabinet easier, Cowley was instructed to try to get some of the French reductions to come into effect at an earlier date than that first provided for.

Cobden, who was more inclined to take a long-range view of things than the politicians, attached little importance to this change of date. He wrote:

"Is it too much to allow eighteen months for the transition from a regime of prohibition to the most moderate revenue duties now levied in any large state except England? . . . not a single step, such as the repeal of duties on raw materials, has been taken to prepare for the complete revolution to be made in the tariff next year."²

In the same vein, he later wrote, "Cowley has bullied them into ante-dating their alterations in coal, iron, and machinery by three months."

The position of Gladstone was recognized by Chevalier who wrote on January 14, 1860, probably to Rouher, speaking of Gladstone's letters, "Ce qui y est dit des dispositions du Cabinet est sérieux, pour ne pas dire grave."³

These quotations show how unfounded was the view that English acceptance was a matter of course.

When Gladstone had reached agreement as to the rates of duty on French wines, and had won over the Cabinet to the principle of the treaty, he still had to convince Parliament. Thus, Lord Clarendon wrote,

"At present, the treaty is universally blamed. If sanctioned, it will be because of dissensions among the Tories and of their dislike of turning out the government before the Reform Bill is introduced. . . . I dare say the disappointment in France was great at the reception of the treaty here,

¹Dunham, pp. 87-88.

²Ibid., p. 95.

³Ibid., p. 97.

this feeling of course will be increased if the treaty should be rejected which is by no means improbable."¹

The opposition came from: first, the official Opposition; second, the Jingoese who seized on the stipulation that no duty or prohibition should be laid on the export of coal; third, a few orthodox free traders who were opposed to treaties of commerce on principle; fourth, the commercial interests affected--silk manufacturers, distillers, and wine dealers who faced loss on stocks of wine that had been imported under the previous high rates of duty.

It is interesting to note that Cobden imputed political motives to the opposition. "There is an instinctive feeling on the part of our aristocratic politicians that, if the treaty should prove successful, it would produce a state of feeling which might lead to a mutual reduction of armaments, and thus cut down the expenditure for our warlike services in which our aristocratic system flourishes."²

Nevertheless, Gladstone's great speech on the treaty seemed to be decisive. The Times which had at first been critical finally took a strong stand in favor of the treaty and, in spite of irritation caused by the rumored annexation of Savoy, the treaty was approved by Parliament, February 10.

The importance of the political aspect of the treaty in Gladstone's mind is shown by his references to it in his speech, and still more strongly by his later statement to the following effect:

"A French panic prevailed For this panic the treaty of commerce with France was the only sedative. . . . It was, and is, my opinion that the choice lay between the Cobden Treaty and not the certainty but the high probability of war with France."³

So much for the conclusion of the treaty of January 23, 1860. This treaty merely set maximum rates, ad valorem, and provided for the negotiation of a subsequent convention in which specific rates of duty were to be arranged for the various individual cases. It was generally understood that these rates, in most cases, would be considerably below the maximum figures though it

¹Cowley, p. 195.

²Hobson, p. 259.

³John Morley, Life of William Ewart Gladstone (London: The Macmillan Co., 1903), II, 22.

was freely admitted that the French government would be quite within its rights in insisting on such rates as would equal 30 per cent. It remains to be asked why the French negotiators and Napoleon approved the very great reductions which were actually agreed upon. There is little further evidence upon this point but certain elements in the situation are known.

The general principle on which the French negotiators seemed to work was that of establishing the difference in cost of production between English and French manufacturers in each case. An elaborate inquiry was undertaken on this question of relative costs and the rates written into the treaty probably reflected the results of this inquiry.

A suggestion that the French took into consideration the effect that their action might have on treaties to be concluded with other states is made by Amé. "To generalize the application of the 30% rate (which in the case of textiles at least would have been in effect prohibition) it would have been necessary to give up the idea of working on foreign tariffs by the authority of our example, and thus to sacrifice to fears that they considered greatly exaggerated the needs for expansion of our most vital industries."¹

Cobden, who was the principal British negotiator, worked hard for lower duties because he felt that the political effect of the treaty would depend on the rates written into it rather than on the mere fact of the treaty having been signed. In the letter to Cowley referred to above, he said,

"The political effect depends altogether on its being a substantial measure. Our people in England are so well versed in these tariff matters that they will judge at a glance whether it is worth anything. Five or ten per cent, more or less, will determine whether it is a good measure or a sham."²

To sum up, we have in the Cobden Treaty a case of a most important departure in tariff policy coming into being largely through the pertinacious activity of an idealistic French citizen ably seconded by an equally idealistic citizen of Great Britain. In their task of influencing the two governments, they found in the case of the government of France a desire to stimulate French industry and improve the lot of the workers coinciding with a

¹Amé, p. 314.

²Lord Cowley, p. 193.

desire to improve relations with England; in the case of the English government, counsels were divided but the ability of Gladstone, who was in favor of the treaty on the grounds of both domestic and foreign policy, triumphed over the opposition or indifference of Palmerston and the group who disbelieved in commerce as an instrument of peace. The evidence seems to show that all the important persons by whose activity the treaty came into existence were influenced to a greater or less extent by considerations of foreign policy. In any case, however much we may minimize this influence, no interpretation of the facts can make it appear that foreign policy was in any degree subordinated to the dictates of commerce.

Relations, 1866-1914

After the excitement occasioned by the annexation of Savoy and Nice had abated, Anglo-French relations remained quiescent for a considerable time. The period between 1866 and 1874 has been called the period of British neutrality in continental affairs; it was also the period of opposition to colonial activity. In 1865, a committee of the House had recommended abandonment of all British holdings on the west coast of Africa except Sierra Leone. The Gladstone cabinet of 1868 marked the climax of anti-Imperialism.¹

Napoleon III, after his unfortunate venture in Mexico, did not play any active role in colonial affairs and did not clash with any British interest. British opinion in the Franco-Prussian War was divided but tended to favor Prussia especially after Bismarck published the draft of a proposed treaty in the handwriting of the French Ambassador which provided for the annexation of Belgium to France. The terms of peace imposed by Bismarck were regarded as severe and aroused considerable sympathy for France in Britain. The establishment of the Third French Republic did not create any obstacle to friendly relations between the two countries and the fact that France for several years after the war was too busy with domestic problems to undertake colonial activity, avoided the most pregnant source of friction between the countries. At the Congress of Berlin, Waddington, the French representative, supported the British position in the main and France was induced

¹Parker Thomas Moon, Imperialism and World Politics (New York: The Macmillan Co., 1926), p. 22.

to acquiesce in the British acquisition of Cyprus by an understanding that Tunis at a convenient juncture was to become a French possession.

After the Congress of Berlin, especially when the influence of Jules Ferry (Premier, September, 1880, to November, 1881, and February, 1883, to April, 1885) was high, France, with the encouragement and support of Bismarck, entered on a period of vigorous colonial activity which led in many cases to considerable tension with Britain. A period of reaction against colonial exploits followed an inconsequential defeat suffered by the French arms in Tongking, but a second period of expansion commenced about 1890 and lasted to about 1906. During this period, especially from 1894 to 1898, Anglo-French rivalry was acute and almost led to war. The definitely anti-British policy was initiated by Jules Develle, Foreign Minister in the Dupuy Cabinet early in 1893,¹ and was continued by his successors, especially by Gabriel Hanotaux, Foreign Minister from May, 1894, to November, 1895, and from April, 1896, to June, 1898. Franco-British hostility to the end of the century was very largely, if indirectly, attributable to tariff friction. This resulted from two facts. In the first place, rising tariffs in various countries, especially in the United States, were made the basis of the French colonial policy, especially under Ferry.² In the second place, the French colonial tariff policy was the principal cause of British opposition to French colonial expansion.³

In connection with the explanation of the attitude of British statesmen towards German colonial ambitions, Chapter VII, we have already quoted the general attitude of British statesmen to French colonial policy. A few specific instances will show how that policy led to tension in Anglo-French relations.

¹Langer, The Franco-Russian Alliance, pp. 323-24.

²Moon, p. 27; M. Dubois and A. Lenier, Un Siècle d'Expansion Coloniale 1800-1900 (Paris, 1902), p. 405.

³Stephan H. Roberts, History of French Colonial Policy, 1870-1925 (London: King, 1929); Robert Ermels, Frankreichs Koloniale Handelspolitik (Berlin, 1910); A. Rambaud, Jules Ferry (Paris, 1930); A. Girault, The Colonial Tariff Policy of France (Paris, 1916).

In 1882, friction arose over the New Hebrides, which the French set out to annex but which the British, and (more emphatically) the Australians, regarded as British territory. In September, 1883, Waddington, the French Ambassador in London, reported that everyone was against the French: "The court and the Tories on account of Germany, the business men on account of the Suez Canal, and the missionaries on account of Madagascar."¹

During this decade, that is, before France had come to any understanding with Russia, and before she came to consider her policy as definitely anti-British, there were a succession of incidents which exasperated British statesmen of both parties. These were all colonial incidents and were definitely rooted in British opposition to French colonial tariff policy.

In August, 1885, Randolph Churchill begged Lord Salisbury to warn the French that the undue pushing of French commercial ambitions in Burma would necessitate "such prompt and decided measures as may most effectually satisfy the paramount rights of India in the Indo-Chinese peninsula." When the "pushing" led to an attempt by King Thebaw to confiscate the rights of a British trading company and transfer them to the French, and when King Thebaw refused to arbitrate the claim, the government of India took the "prompt and decided measures" of issuing an ultimatum in October and annexing the kingdom in January 1886.²

In 1885, the French resentment at the British position in Egypt took a dangerous turn. A Paris journalist, Rochefort, accused the British of putting a price of fifty pounds on the head of Olivier Pain, a Frenchman employed by Turkey in the Sudan. He also alleged that Kitchener had assassinated Pain, and urged that Lord Lyons, the British Ambassador, should be treated as a hostage and that the secretaries of the Embassy be strung up to lamp-posts! The suggestions were taken seriously by a large enough number of people to cause the authorities to post numerous police about the Embassy.³

In 1886, during the peace negotiations with China, France attempted to insert a clause providing for lower duties on land-

¹Roberts, pp. 531-34; D. D. F., Ser.I, V, 117.

²Ward and Gooch, III, 194-95.

³Beckles Willson, The Paris Embassy, 1814-1920 (London: Allen and Unwin, 1927), p. 277-78.

borne goods than on those coming in by sea and another to the effect that if China should decide to build railways, she should employ French industry and personnel. British opposition frustrated these attempts.¹

It was in this year that Lord Roseberry, a Liberal Foreign Minister, said,

"Our relations with France are really more troublesome than with any other power. She is always wanting something impossible, never loses an opportunity of playing us a trick. Witness their secret expedition to the New Hebrides."

It was in February, 1887, that Lord Salisbury, a Conservative Foreign Minister, said,

"One would have thought that under existing circumstances it was not necessary to make enemies--that there were enough provided for France by nature just now. But she seems bent on aggravating the patient beast of burden that lives here by every insult and worry her ingenuity can devise. . . . In Egypt she balks a philanthropic change out of pure cussedness. In Morocco she is appropriating the territory by instalments. Now . . . do precisely that which a month ago Waddington promised they should not do--run up the French flag at Dangola. It is difficult to prevent oneself from wishing for another Franco-German War to put a stop to this incessant vexation."²

In October, 1886, Herbette proposed to Bismarck that he join France in compelling England to leave Egypt. He gave assurances that the English were abominated more than the Germans had ever been.³

In the early 90's, French encroachments on Siamese territory--"a country whose independence was of vital importance to India, and whose trade was for the most part in British hands"--brought British warships to Bangkok and the British Foreign Office into hourly expectation of the outbreak of hostilities.⁴

¹Ward and Gooch, III, 229.

²Beckles Willson, pp. 278-80; Lord Newton, Lord Lyons--A Record of British Diplomacy (London, 1913), II, 374.

³Ward and Gooch, III, 244-45.

⁴Ibid., p. 197; Langer, The Franco-Russian Alliance, pp. 324 ff., 329.

Lord Curzon, Viceroy of India, pointed out that the French demands endangered British commercial, railway, and mining interests in Siam.¹

Lord Roseberry resisted the French demands but in 1895 Lord Salisbury, "in virtue of one of the 'graceful concessions' by which he from time to time purchased the temporary goodwill of Great Britain's neighbors and rivals, yielded to France all that she demanded without equivalent advantage."²

The year 1893 witnessed a couple of transactions that seem incredible in view of the subsequent relations between the powers involved. Britain had claims over certain areas of tropical Africa which were also claimed by France. In order to prevent the area from falling into the hands of France, Britain ceded the land to Germany, and Germany promptly handed it over to France!³

In 1894, after France had annexed Dahomey, her agents attempted to cut off the hinterland of Lagos. A heated exchange of dispatches took place before the dispute was settled. That trade rivalry was an important factor in Franco-British disputes in this region is seen from a letter of Salisbury to Lord Dufferin (March 30, 1892). He wrote, "wherever in West Africa Great Britain has undertaken the task of developing . . . the interior, French trade profits equally with that of this country; but the tendency of French arrangements . . . is to obtain exclusive commercial privileges."⁴

Those who think that British supremacy at sea meant that other powers could accomplish nothing in colonial matters against the will of Britain, should study the history of Madagascar. This island was regarded by the British as coming within their sphere of influence on the triple grounds of propinquity to Mauritius, the predominance of British trade, and the activities of British missionaries who had established schools and hospitals and introduced modern methods in industry and agriculture. France, in 1868, had recognized the sovereignty of the native Hova queen over the whole island. During the period from 1882 to 1896 France gradually converted the country into a French colony. Beginning with a claim

¹Moon, p. 318.

²Ward and Gooch, p. 199.

³Langer, The Franco-Russian Alliance, p. 353.

⁴Ward and Gooch, pp. 210-11.

of a protectorate over the North-West coast, she proceeded to claim and later to enforce a protectorate over the whole island, while, in 1896, the island was formally annexed. These steps were not only taken against the will of Britain but British traders and missionaries were repeatedly injured. Redress was given for the most flagrant of these offenses but British treaty rights were consistently violated. These rights included, inter alia, most-favored-nation treatment and the provision that import and export duties should not exceed 10 per cent ad valorem. When Britain recognized the French protectorate in 1890, France agreed that it would not affect British treaty rights. But as soon as the queen accepted the French protectorate, preferential treatment was given French trade. Lord Salisbury pointed out that this was a violation of the treaties. France replied by annexing the island and introducing their exclusive trading policy in an extreme form. British trade with the island declined from £179,000 to £42,000 in a single year. Salisbury protested in dispatch after dispatch but in vain.

The French Ambassador argued that most of the differences between England and France had really been either caused or rendered much more acute by French protectionist policy and to this Lord Salisbury agreed. The Ambassador thought the protectionist sentiment was slackening and argued that any violent interference with French fiscal policy in Madagascar would retard the return to lower duties.¹ Salisbury did not record his reaction to this argument but the matter remained unsettled until 1904.

It is with this background of friction in mind that we must approach the events of 1898-99. Many of the younger British statesmen felt that Salisbury had made too many concessions to France and that war would be preferable to a continuation of that policy.

In any case when new difficulties arose in West Africa the Foreign Office sent a series of demands so extreme in content and so stiff in form that the British Ambassador in Paris said they were "hardly such as any nation having regard for its dignity could accede to, except after war followed by defeat."²

¹Ibid., pp. 218-22; Moon, p. 136; B. D., I, No. 240.

²B. D., I, No. 163.

Salisbury's reply to the above observation was a request to "point out that the course we should take in present negotiations would be very largely influenced by the fiscal policy which the French government intended to adopt. Our object is not territory, but facility or trade."¹ The tariff arrangement suggested by Salisbury was reciprocal national treatment, i.e., French goods to receive the same treatment as British goods in British colonies and British goods and same treatment as French goods in French colonies. These proposals met with strenuous opposition on the part of the French cabinet, Hanotaux anticipating more difficulty on them than on the territorial points.²

However, in the negotiations which followed, the dispute was narrowed down to the question of the possession of two small places called Bona and Ilo and the British government finally offered to concede Bona and some other territory while demanding Ilo and some other concessions. This offer was practically an ultimatum as it concluded in the following manner: "[This] offer represents the extent to which Her Majesty's Government are prepared to go in their desire to close the negotiation and if it is not accepted they will be forced to conclude that they have been mistaken in believing that the Government of the Republic desires the success of the negotiation."³

The French government accepted the British offer and the crisis ended. It was succeeded in the same year by a much graver crisis, the well-known Fashoda affair.⁴

It is not part of my task to analyze the claims involved in this complicated controversy. French writers blame the French government for inept diplomacy in the matter--especially for objecting to British occupation of the area involved on the ground that it belonged to Egypt and later claiming the right to occupy

¹Ibid., No. 163.

²Ibid., No. 166.

³Ibid., No. 181.

⁴Ibid., chaps. iv, v, especially Nos. 196, 198, 200, 204, 208, 221, 226; Documents Diplomatiques, Affaires du Haut-Nil et du Bahr-el-Ghazal, 1897-98 (Paris, 1898); G. P., Vol. XIV, chap. xciii; Langer, The Diplomacy of Imperialism (New York: Knopf, 1935), Vol. II, chap. xvi; Letters of Queen Victoria (Third Series; New York, 1932), Vol. III; Sir Thomas Barclay, Thirty Years. Anglo-French Reminiscences (New York, 1914); Hanotaux, Fashoda (Paris, 1909); Morrison B. Giffen, Fashoda the Incident and Its Diplomatic Setting (Chicago, 1930).

it on the ground that it was res nullius, and also for failure to recognize that Britain would fight rather than share the upper Nile.¹

For our purposes the important fact about the Fashoda episode is that it was the culminating point in a long series of colonial conflicts which as we have seen, were largely rooted in commercial rivalry.

The occasion of the crisis was the appearance of Captain Marchand at Fashoda on the upper Nile and the British demand that he be recalled. The uncompromising and bellicose attitude of Britain was due to the preceding series of unpleasant events. Count Metternich reported a conversation a friend of his had with Chamberlain in which the latter was said to have used the following language:

"There are very few people who realise the gravity of the present situation. England is a peaceful, commercial nation, and has as yet always managed to avoid war. We have however arrived at a point where our patience is over, and public opinion is tired of so-called gracious concessions. I do believe that France will evacuate Fashoda, but that will not settle the question, as France is certain to refuse to go out of the Bahr-el-Ghazal. France will try to play there the same trick as she did recently in West Africa, and before in Madagascar, Tunis and Siam. The time has come, where England and France have to settle all their differences once and forever. In fact, the English nation is in a mood where she will rather fight than give in a single iota. I as well as my colleagues are perfectly aware of the fact that giving in even an iota would mean the upset of the present government."

". . . as soon as we are ready, we shall present our bill to France not only in Egypt, but all over the globe and should she refuse to pay, then war. . . ." ²

The Austrian Councillor of Embassy in Paris informed the French Foreign Minister that he had been told by the German Minister in Cairo, who claimed to have received his information from Kitchener himself, that the latter's instructions were to act very

¹Jean Darcy, France et Angleterre, Cent Ans de Rivalité Coloniale (Paris: Perrin, 1904), I, 401-2; Raymond Recouly, The Third Republic (New York: Putnam, 1928), pp. 128-29.

²G. P., Vol. XIV, Part II, No. 3908.

pacifically, avoid using force and treat the affair as if it were a civil dispute.¹ This information no doubt caused Delcassé to delay his decision in the hope that Britain might concede something. This hope proved illusory, but the firm, able, and courteous handling of the situation by Sir Edward Monson, the British Ambassador in Paris, added to internal difficulties arising from the Dreyfus affair and Russian advice to avoid a rupture, induced the French government to order Marchand's recall without having the matter reach the stage of an ultimatum and hence England never "presented the bill" referred to by Chamberlain.

The danger of war was not immediately dissipated, however, since the boundaries still had to be delimited and the tension in Madagascar was so acute that the German Ambassador in Paris reported that the conflict might originate there "since the English will not consent to the restrictions which Gallieni has placed on trade."²

As Freycinet said, the two countries were on the verge of war from September, 1898, to March, 1899, when a settlement of the Nile question was reached.³

A minor incident showing the hostile attitude of Britain at this time occurred in the Gulf of Muscat. A French attempt to lease a piece of ground for a coaling station was frustrated by a threat of bombardment by the British admiral, and the British press played it up as a new check for France.⁴

The scene of friction next shifted to the French Congo.⁵ Here, too, the trouble was rooted in questions of trade. France, like other colonizing powers at the time, had adopted the policy of exploiting its colonies in tropical Africa by means of companies each of which was given a thirty-year monopoly of "agricultural, forest and industrial exploitation" over specified areas of the

¹Constantin Dumba, Memoirs of a Diplomat (London: Allen, 1933), p. 63.

²G. P., No. 3931.

³Charles de Freycinet, La Question d'Egypte (Paris, 1905), p. 413; Cf. B. D.,

⁴B. D., I, No. 255.

⁵Roberts, pp. 347-51; E. Morel, The British Case in the French Congo (1903, pp. 72-127; M. A. Rouget, L'Expansion Coloniale au Congo Français (1906), pp. 665.

colony. Forty companies received a total of 650,000 square kilometers--a little more than the area of France and including practically all of the valuable land in the colony.

The trouble arose from the fact that the colony was included in the conventional basin of the Congo in which freedom of trade had been guaranteed by the Berlin Act of 1885. The English merchants who had long been established in the coastal region protested against the concessions to the companies because the latter interpreted their charters as giving them exclusive trading rights and forcibly seized various English factories. The English merchants appealed to the courts but without success. The Libreville Appeal Court, in 1901, held that while a commercial monopoly was clearly illegal under the Berlin Act, the grants to the companies were legal because they were agricultural and industrial. The British, it was held, could not buy from the natives any produce originating in the areas ceded to the companies because all such produce belonged to the company concerned and not to the natives. "The latter, in bringing produce to the company, do not sell that produce because they do not own it, but receive a bonus or salary as a remuneration for their services!" Dissatisfied with this masterpiece of French logic, the British resorted to diplomacy and were later granted an indemnity for the loss of their factories.

Improvement in Anglo-French relations, which on the whole was steadily taking place from the time of the Fashoda crisis, was due to changes in personnel in the two governments and changes in the general European situation and not to any change in the economic relations of France and Britain themselves. The greatest credit is due to Théophile Delcassé, French Foreign Minister from June, 1898, to June, 1905, or from just prior to the Fashoda crisis until after the formation of the Entente. Delcassé was, more than any other man, responsible for isolating Germany and he accomplished his aims by completely reversing the tactics of a long series of predecessors. His method was to reach agreement by negotiation and compromise rather than by the old methods of threats and force. As Minister for Colonies he had been partly responsible for sending the Marchand Mission to the Nile and he did his best to defend the position his country found itself in at the time he took over the ministry of Foreign Affairs. He did not, however, harbor resentment and continued to work for better relations with

Britain.¹

Two changes on the other side of the Channel facilitated the rapprochement. The first was the succession of Edward VII to the throne. As a French historian put it, "as long as Queen Victoria lived, with her stern and narrow outlook and lack of sympathy for France, there was small chance of any improvement in Anglo-French relations, while Edward VII had sympathy with France as great as his distrust of Germany and of his nephew the Kaiser."² The second was the retirement of Lord Salisbury, July 12, 1902.³

The changes in the general European situation that facilitated the formation of the Entente included the gradual shift of the center of gravity of French politics towards the Left, the realization by France that Russia was not entirely dependable as an ally, and later the weakness of Russia as shown in the war with Japan. This last factor was doubly significant. In addition to making France feel the need of a stronger ally, it had the effect of removing Russia as a threat to Britain and of directing the anxiety of the British towards Germany whose inept diplomacy and fleet-building policy, sufficed to make Britain take a friendly attitude to French colonial ambitions from that time on.

The Entente, as I said, was largely the work of Delcassé; but he was aided by the splendid work of Paul Cambon, the French Ambassador in London; by Sir Thomas Barclay, whose plan of having the British Chambers of Commerce meet in Paris was an important contribution to good relations; by King Edward, whose visit and speeches in Paris won the affections of the French people; and by certain permanent officials in the British Foreign Office--notably Sir Arthur Nicolson and Sir Eyre Crowe, whose distrust and dislike of Germany were of permanent benefit to the cause of friendship with France.

The agreement was arrived at just as any agreement is arrived at between people who have made up their minds to agree--i.e., by a series of concessions on both sides of points previously in dispute. It is easy to represent the good relations that existed between the two powers from 1904 to 1914 as the result of the

¹Charles Wesley Porter, The Career of Théophile Delcassé (London: Milford, 1936).

²Recouly, pp. 222-23.

³Ward and Gooch, p. 306.

agreement reached in the former year and it is true that the settlement covered a wide range of subjects. A contributing factor was the fact that the Liberal administration in power in England from 1905 to 1914 was not interested in further colonial acquisitions.

It is interesting to note, however, that a French historian writing in 1904 regarded the agreement as merely a truce in the long struggle. This authority wrote: "From the history of the two countries there emerges one conclusion . . . it is that France and England, having diametrically opposite interests to uphold, are, and by the nature of things, will remain rivals."¹

It is unnecessary to go into the details of the period from 1904 to 1914. The essential point is that the countries remained friendly throughout, notwithstanding the fact that trade and tariff relations remained as they had been during the period of greatest hostility. France continued to follow her policy of high protection at home and of monopoly in her colonies.

In the foregoing, the discussion has been directed to difficulties arising in colonial areas because it was these that were significant for the political relations of the two countries. To make the account complete a few words must be devoted to the tariff relations between France and Britain themselves.

Thiers, the head of the government of France after the Franco-Prussian War, was a protectionist and wished to free his country from the terms of the Cobden Treaty, which was still in force. In his negotiations with Britain he stressed the need of France for additional sources of revenue, and proposed certain modifications in the treaty. The British considered his proposals as a return to protection pure and simple and rejected them. Thiers then denounced the treaty, taking care, however, to express his desire for continued good relations with Britain.

Lord Lyons, the British Ambassador, told Thiers that the British were anxious to cultivate good relations with France but could not be led to believe that they must purchase her friendship by sacrificing their commercial interests.²

¹Darcy, p. 25.

²Comte de Butenval, "Denonciation du Traité de Commerce de 1860," Journal des Economists, July, 1872, pp. 91-92.

A new treaty was negotiated November 5, 1872, which was generally considered to represent concessions by Britain. The statement with which the French government introduced the treaty to the Chamber read: "When England, out of regard for France, sacrifices principles dear to her, we may be confident that the friendship of other countries will not fail us." A cartoon in a British paper represented Gladstone as a fox who had permitted Thiers to cut his tail off in the hope that the heads of other governments would consent to the same operation. A member of Parliament attacked the government for caring less for British interests than for making a show of rapprochement with France as a counter-demonstration to the meeting of the three emperors.¹ This treaty, however, failed of ratification by the French Chamber and was replaced by another which was ratified by the Chamber in 1873. This was a mere most-favored-nation treaty.²

A further attempt to negotiate a tariff treaty was made in 1881. In that year the Prince of Wales took a hand in the negotiations; armed with instructions from the Foreign Office he interviewed Jules Ferry and the French Minister of Commerce, in order to prepare the way for Dilke who followed as the official negotiator.³

The new treaty, however, was merely another version of the previous one, and Anglo-French trade relations continued to be regulated on the most-favored-nation basis until the new autonomous tariff was introduced in France in 1892 and thereby brought to an end the system of tariff treaties.⁴

From that time until 1914 British goods enjoyed the rates of the French minimum tariffs, but these rates were considerably higher than the rates of the German tariff.

To sum up the relations of France and England, we may distinguish four periods: First, there was a period of mutual distrust and fear during which the conclusion of the Treaty of Commerce of 1860, largely influenced by considerations of foreign

¹Butenval, "Les nouveaux Traités de Commerce avec l'Angleterre et avec la Belgique," Ibid., April, 1873.

²Ibid., August, 1873.

³Philip Guedalla, The Hundred Years (New York: Doubleday, Doren & Co., 1937), p. 151.

⁴Ashley, p. 316; Charles Augier, La France et les Traités de Commerce (Paris, 1906), pp. 26-27.

policy on both sides, contributed to maintaining friendly relations. Second, there was a period lasting to about 1881, characterized by friendly political relations and negligible tariff friction. Third, there was the period from the early 80's at the end of the century during which hostility between the two countries became increasingly violent and led them to the brink of war.

This hostility grew out of conflicting colonial ambitions and the colonial tariff policy of France was largely responsible for British opposition to French colonial expansion. The need for markets was frequently urged by French statesmen as a justification for their colonial policy, but they never succeeded in convincing the French people or French business men of the soundness of this argument, and regularly had to resort to underhand methods to get the Chamber to vote credits for colonial expeditions. The insignificance of many of the disputed areas from the point of view of trade leads one to suspect that considerations of prestige may have had more to do with the attitude of Britain than is commonly believed.¹ At any rate, the tariff relations between the mother countries were fairly satisfactory during this third period.

Finally, there was a period of growing political friendship, increasingly based on common hostility to Germany, during which trade and tariff difficulties were kept in the background.

The record of the third period shows that in the absence of higher political considerations, colonial rivalry largely rooted in trade and tariff difficulties may dominate the relation of great states; but the fourth period shows that higher considerations (fear of Germany, desire for Alsace-Lorraine) will cause trade and tariff difficulties to be settled, and a detailed study of all periods shows that the personal attitude of a ruler, the ability of a statesman like Bismarck or Delcassé, or the clumsiness of another like Bülow, may so affect the course of events that the outcome is in large measure accidental.

¹See Frederick Lewis Schuman, War and Diplomacy in the French Republic (New York: McGraw-Hill Book Co., 1931), chaps. iv-vi. It is significant that capitalistic ministers like Caillaux were least sympathetic to colonial exploits.

CHAPTER IX

FRANCE AND ITALY

General Features of Italian Foreign Policy

The course of Italian foreign policy furnishes another instance of the growing and eventually dominating influence of nationalism in politics, as will come out in the discussion of the relations between Austria-Hungary and Italy. Italy was the last of three great powers to become separated from Germany and allied to France, and nationalism was an important factor in the change. Due to geographical, racial, and religious factors, the external history of Italy is largely the story of her relations with France and the Hapsburg Monarchy.

In the early part of our period, the all-absorbing question for Italy was that of obtaining her unity, involving the acquisition of the Italian provinces of Austria-Hungary. Later, a period of hostility to France accompanied a nominal reconciliation with Austria, while in the twentieth century a reconciliation with France loosened the ties that bound Italy to the central powers and paved the way for Italy's joining France in the war against Germany and Austria-Hungary.

Throughout the period, the relations between the government of Italy and the Vatican were in an unsatisfactory situation and complicated the relations of Italy with other powers, particularly with France and Austria. Anglo-Italian relations were friendly throughout the period; Italo-German relations were largely the converse of Franco-Italian relations; Italo-Russian relations reflected the changing phases of the Mediterranean problem. However, relations with Germany, Britain, and Russia were so clearly subordinated to relations with France and the Hapsburgs that they will be dealt with as incidentals in the problems which more vitally interested Italian statesmen.

After Italian unity had been achieved in 1866 and Rome taken in 1870, Italy had practically no problems of foreign policy. No power had any designs upon her territory; she did not lie in

the path of hostile powers. There was some fear that France might attempt to restore the temporal power of the pope but all danger of this passed in 1877. From then on the problems of Italian foreign policy were entirely of her own making.

She had no colonies to protect or develop, almost no capital invested abroad to be lost, and very little shipping to get into trouble in foreign countries. A military and naval equipment the size of Sweden's would have been ample to meet all requirements, and in view of the extreme poverty of the people any more would scarcely seem to have been justifiable. A Belgian statesman is quoted as having said to Minghetti (Premier from 1863 to 1865) that Italy would have nothing to fear from anyone if she would content herself with the position of Belgium or Switzerland--a position most favorable to security and prosperity.¹

Italian statesmen, however, with the apparent support of the people, chose to play another role. During the Middle Ages, the peninsula had completely lost its political unity. At different times foreign states--Spain, France, and Austria--had held large sections of the country. Italian cities like Venice had ruled certain areas; petty kingdoms and duchies, many of them ruled by foreign dynasties, occupied part of the country; while central Italy was ruled by the pope as a temporal sovereign. None of the Italian states was powerful in a military way, and the population had a sense of weakness and helplessness. In the struggle for unity and independence Italian armies became the laughing stock of Europe.

When Italian delegates at the Congress of Berlin raised the question of Trentino, a Russian diplomat is reported to have said to Bismarck, "How does Italy come to claim more territory? Has she perchance lost another battle?"²

In the modern jargon the Italians were suffering from an inferiority complex rendered all the more distressing by the memory of the invincibility of the legions of ancient Rome. As a renowned Italian historian and philosopher puts it, "If we wish to understand the underlying currents of Italian life during the fifty years preceding the great war, we must remember that Italy

¹Benedetto Croce, A History of Italy, 1871-1915, trans. Cecilia M. Ady (Oxford: Clarendon, 1929), p. 115.

²Ibid., p. 108.

bore in her bosom the open sores of Custozza and Lissa and was always dreaming of wiping out the disgrace, doubting fortune and herself."¹

Whatever the cause, the fact is that Italy, especially after 1880, spent large sums on military and naval establishments and at intervals engaged in costly colonial ventures, all without any apparent reason except to raise her prestige as a great power.

Since all the principal problems of Italian foreign policy--unification of territory, relations with the Vatican, and building an empire--are closely connected with Franco-Italian relations, we need not go into them in any further detail at this point.

General Course of Italian Tariff Policy

Prior to 1861, Piedmont under Cavour had adopted a free trade policy, but all the other Italian states had retained the system of high protection so nearly universal after the Napoleonic wars. The attention of reformers was directed more to the political than to the economic situation, and what agitation there was on the tariff question was directed towards the establishment of an Italian Zollverein rather than towards the introduction of free trade in the individual states. Since some of the richest parts of Italy, Lombardy and Venetia, were under Austrian rule, the tariff reform agitation inevitably became merged with the anti-Austrian political movement. Italian patriots did not want a Zollverein without those provinces, and a Zollverein which included them would inevitably have been dominated by Austria. The consequence was that high tariffs were maintained in most of the states until their annexation to Victor Emmanuel's Kingdom. Protectionist writers like Sombart and Zublin, while admitting the benefits of the low tariff regime in Piedmont, think it was a mistake to apply it suddenly to the whole country, as was done in the formation of the Italian Kingdom, January, 1861. The fact that these writers do not offer any evidence to support this opinion (aside from the subsequent adoption of protection, which they assume was the correct policy) merely tends to confirm the opinion resulting from my study of the German Zollverein and the annexation of Alsace-Lorraine to Germany--namely, that free trade economists

¹Ibid., p. 106.

have been altogether too generous in conceding the necessity of a long period of transition from protection to free trade.

The Italian case seems to be just another illustration of the ease with which a society can adjust itself to a wide and sudden change in tariffs. The necessity for a gradual transition is a deduction from equilibrium theory which necessarily ignores the innovations and disturbances that are constantly affecting a free enterprise society. The results of the German and Italian experiences suggest that the common protectionist simile which compares the introduction of free trade to the removal of a dam which lets a destructive flood burst upon a quiet valley, should be replaced by one which pictures free trade as just one among many labor-saving devices, introduced into a situation which is being constantly so upset by other factors that the disturbance caused by the removal of the tariff becomes lost in the general turmoil.

Zublin himself gives unwitting testimony to this view in the following passage: "As the tariff policy of little Sardinia was extended without essential change to the whole of Italy, and as the injurious consequences of this action became visible only in the course of years" Surely, any ill effects of free trade would manifest themselves almost immediately; injuries that appear in later years must be the product of protectionist imagination.

Be that as it may, the low tariff system of Sardinia was extended to the rest of the kingdom and a series of trade treaties confirmed the situation. The most important of these was the treaty of 1863 with France to be discussed below.

As was the case in so many other countries, fiscal needs were the means by which duties were gradually raised. Italy was a poor country and the cost of wars and preparations for war was heavy. A large percentage of the revenue was raised by import duties. The receipts from customs duties rose from 60,900,000 lire in 1865 to 98,000,000 lire in 1874,¹ but the increases in the duties were not made in accordance with any definite plan, and hence anomalous situations developed which caused hardship in individual cases and created a demand for a wholesale revision of the tariff. A commission of inquiry was appointed, and published

¹Robert Zublin, *Die Handelsbeziehungen Italiens* (Jena: Fischer, 1913), p. 140; Werner Sombart, "Die Handelspolitik Italiens," *Schriften*, XLIX, 92.

a report strongly protectionist in tone, as is usually the case when differences in cost of production at home and abroad are taken as a justification for imposing a tariff.¹

A new tariff enacted in 1878 embodied part of the protectionist proposals, but the changes introduced at this time were mainly directed towards increasing the revenue and removing anomalies and injustices. The success of the measure is shown in the uninterrupted increase in customs receipts from 98,000,000 in 1877 to 208,000,000 in 1885.²

In the 80's the protectionist movement won a complete victory in Italy, the results of which were embodied in the tariff of 1887, which remained in effect with relatively little change until 1914. The causes of the protectionist successes were much the same as in other continental countries: the example of other countries, the competition of agricultural products from the new world, etc. There was one factor operative in Italy which was not present in all other countries, namely, the return to the gold standard and the ensuing rise in the value of Italian currency in terms of foreign monies. This increased the difficulties of Italian producers in their efforts to carry on in the face of a long-continued decline in the price level.³

As was the case of the French tariff of 1892, a conspicuous feature of the Italian tariff of 1887 was the introduction of substantial duties on agricultural products, as may be seen from the following figures:⁴

	1887	Previous
Wheat or rye (Lire per ton)	50	14
Barley " " "	11.5	0
Oats " " "	40	11.5
Rice " " "	50	0
Horses (Lire per head)	40	20
Oxen " " "	38	18
Sheep, goats " " "	3	0.2
Hogs " " "	10	2.5
Cheese (Lire per 100 kg.)	25	5

¹Luigi Luzzatti, L'Inchiesta Doganale e i Trattati di Commercio (Rome, 1878).

²Zublin, pp. 141-42.

³Ibid., p. 142.

⁴Ibid., p. 144.

Modifications of the tariff of 1887 were made from time to time. The law of 1909 contained so many changes it might almost be called a general revision. Most of these changes were of a technical nature, such as more accurate classification of articles, increasing the numbers of items specifically provided for, and changes necessitated by the appearance of new products or methods. Increases were made in the duties on about sixty items and reductions in about a dozen. In general, the tariff remained as it was in 1887, one of high protection.¹

Each of the important tariff revisions, 1878 and 1887, naturally necessitated changes in the trade treaties between Italy and other states. These are dealt with in succeeding sections, and it need only be observed here that the treaty relations of Italy with other countries, especially with France, were in some respects more significant for Italian trade than the rates of the Italian tariff itself.

Franco-Italian Political and Tariff Relations under the Second Empire

The relations of France and Italy form an interesting case for our study for two reasons. In the first place, Italy went into the World War on the side of France and against her former allies, thus presenting a puzzle for those who blame the war on, and account for the positions taken by the various powers in it by "the system of alliances." In the second place, France and Italy waged the longest and most disastrous economic war, tariff and financial, of modern times.

The political relations of Italy with Napoleon III revolve around the question of Italian unity. The most important aspects of this question for relations with France were those of driving the Austrians out of Italy and ending the temporal power of the pope. Napoleon was forced by circumstances of internal French politics to take an inconsistent position on the question, supporting the move against Austria but defending the position of the pope. Napoleon's own feeling was strongly in favor of the Italian national movement. As a French historian puts it, "If he had one permanent design, it was the liberation of Italy."²

¹See Zublin, pp. 165-66, for a list of changes in the 1881 tariff.

²Pinon, pp. 494-95.

The revolutionary movement of 1848 had two results of significance for Franco-Italian relations. First, it established a responsible democratic government in Sardinia, and thus made that kingdom the rallying point for the nationalist movement of all Italy. Second, Pope Pius IX was forced to flee from his kingdom and was restored by a French army. The latter event was a source of friction between France and Sardinia but after Sardinia joined France and Britain in the Crimean War, Cavour was able to make a bargain with Napoleon for French aid in driving Austria out of Italy. The Austrian provinces, the Duchies of Modena and Parma, the marches, and the papal states except for Rome, were to be annexed to Sardinia. Savoy and Nice were to be ceded to France, the throne of the Two Sicilies was to go to Lucien Murat, a cousin of Napoleon, and King Victor Emmanuel's seventeen year old daughter Clothilde was to marry Jerome, another cousin of Napoleon.

It was not understood that France and Sardinia were to commence the war at once and without provocation. Cavour, however, proceeded to make extensive and open preparations for war. This action was alienating public opinion in the democratic countries. The British government reminded Napoleon that there was a worse governed state in Italy than Austria's--the Papal State was meant--and notified him that he would have Britain against him if he attacked Austria.¹

Napoleon was also under pressure from his clerical supporters at home, and tried to avert war. He first suggested that the differences between Austria and Piedmont be submitted to a European Congress. When this was rejected by Cavour, he suggested that both Piedmont and Austria disarm. Cavour, with a heavy heart, prepared the order for demobilization.²

Austrian incapacity in foreign affairs came to the rescue, however, in the shape of an ultimatum followed by commencement of hostilities. Austria was, therefore, regarded as the aggressor, and Napoleon was able to march against her with little opposition at home or abroad. The Austrians were defeated at Magenta; the young Emperor Francis Joseph then took command of his army; his inexperience led him to order a retreat at the battle of Solferino,

¹Ibid., p. 505.

²George B. McClellan, Modern Italy (Princeton, 1933), p.

thus enabling the French to claim another victory (the Italian wing of the allied forces had been defeated). At this juncture Napoleon met the Austrian Emperor and agreed on terms of peace. Napoleon had found war to be something different from all the dreams he had had. Besides, he had heard rumors that Prussian troops were advancing towards the Rhine.

By the terms of the Treaty of Zurich, November 10, 1859, Austria ceded Lombardy to Napoleon. It was understood that he would transfer it to Victor Emmanuel, but Hapsburg pride would not permit Francis Joseph to cede anything to the upstart Italian Kingdom. Napoleon, having made peace without the consent of his ally and without having accomplished their objective of freeing Italy from Austrian rule, was not in a position to demand his price. New negotiations were undertaken which resulted (March 24, 1860) in an agreement by which Tuscany, the Duchies, and Romagna were annexed to Sardinia, while Savoy and Nice went to France.

This arrangement lost friends for France on all sides. Austria was angered because of the direct injury, Britain and Prussia because of the increase in territory and population of France, and Italy for two reasons, first because the arrangement for the annexation of Savoy and Nice had been secret and its publication came as a painful surprise, and second because Napoleon had made a peace with Austria which left her in possession of Venice.

This feeling of resentment that Italian nationalists felt towards Napoleon was increased in 1866 when the latter permitted the officers and men of the French garrison in Rome to join the papal army, and when he sent more troops to repel a raid that Garibaldi led against the city in the same year.

After the Austro-Prussian War of 1866, the Austrian Foreign Minister Beust suggested an Austro-Franco-Italian alliance by which Italy was to get Rome, Tunis, Trentino, and an extension of her frontier towards Trieste. Napoleon refused this offer when first made and again in 1870 just before the outbreak of the Franco-Prussian War.¹ Thus Napoleon's obstinate support of the pope left him isolated in the struggle with Prussia which led to his downfall.

¹Ibid., pp. 126, 132.

The tariff relations of France and Italy during the second Empire were regulated by the treaty of 1863. This was one of the series of trade treaties concluded by Napoleon in the 60's, the first of which was the treaty of 1860 with Britain. There is no need to search for hidden motives in the conclusion of this treaty. Napoleon having embarked on the course of tariff reductions, it was only consistent to continue the policy. Economically, a reduction in a tariff is more likely to result in benefit to the consumer rather than in enlarged profits to foreign producers, the larger the number of countries to which the reduction is extended. Politically, Napoleon felt that every additional country that joined the treaty system was additional evidence of the wisdom of the policy. On the Italian side, free trade was an element in the Liberal program to which Cavour subscribed, and there is consequently no need to look for political motives in the Italian action in making the treaty. France asked for very few changes in the existing Italian rates, but Italy argued that most of the concessions made by France to Britain and Belgium were of little use to Italy and hence insisted on reductions in the duties on citrus fruits, olive oil, and licorice. Other reductions in the French tariff of interest to Italy were on silk, on which the duty was reduced from ten to three lire per kilogram, and on woolen cloth. Counter concessions affected porcelain, glass, and style-goods.¹ The chief delay in the negotiations was caused by questions outside the tariff, especially questions relating to minerals on the island of Elba.²

Franco-Italian Relations during the Third Republic

The next period of Franco-Italian relations begins with the Franco-Prussian War. By this time Italy with the help of Prussia had acquired Venice, and had united practically the whole peninsula under Victor Emmanuel. Rome, however, continued as the remnant of the temporal power of the pope, protected by a French garrison, and Florence was the seat of the Italian government. In the war with Prussia, France needed all available troops at home and hence recalled the garrison from Rome. Italian troops immediately occupied the city and transferred the seat of government thither.

¹Zublin, p. 267.

²Amé, II, 7 ff.

No settlement was made with the pope, and from then until the end of the period the popes maintained the fiction that they were prisoners in the Vatican. This situation complicated the relations of Italy with the third French Republic in its early years because of the strong clerical sympathies of the French government at this time. Italian patriots hoped, at the time the Republic was established, that it would be guided by the principles of 1789 and would therefore espouse the cause of nationalism which was the cause of Italian unity. Unfortunately for Italian hopes, the French elections of 1871 were fought largely on the issue of peace on Bismarck's terms versus continuing the war. In this campaign most of the convinced republicans in France were nationalists, to such an extent that they favored continuing the war. Most Frenchmen had evidently had enough war for the time being, for the monarchist-clerical elements won most of the seats in the Assembly.¹ Thus began what was well called the Republic without republicans, because, although Thiers was a republican, most of the members of the Assembly were not, and the only thing that prevented a monarchical restoration was the conflict between the supporters of the rival houses of Bourbon and Orleans. Thiers himself had been an outspoken opponent of Italian unity, not only because of devotion to the principle of the temporal power of the papacy, but also because of the French national interest in not having a strong state on her South-Eastern frontier.

It must be remembered that the opposition between the kingdom of Italy and the Church was not confined to the question of the temporal power of the pope. From the beginning of his reign, Victor Emmanuel II approved measures which struck at the position of the Church.² The pope excommunicated all those responsible for passing the anti-religious laws. This antagonism continued after the papal states became part of united Italy and contributed to Franco-Italian mistrust and hostility during the early years of the third Republic.

The first act of the new government of France to give umbrage to Italy was the sending of an ambassador to the pope while the interests of France at the court of Victor Emmanuel were taken

¹Pinon, p. 540.

²Humphry Johnson, The Papacy and the Kingdom of Italy (London, 1926), pp. 16-17.

care of by ministers or chargés d'affaires. The official explanation given by Foreign Minister Jules Favre was as follows: "To reduce the external sign of our relations with an old man overwhelmed by misfortunes would have been severe on the part of a power at the height of its prosperity; on the part of a power itself rudely smitten it would have been a regrettable shortcoming."¹

The French government kept a warship, the Orénoque, stationed at Rome to be ready to convey the pope from Rome in case he should decide to leave the city. The presence of this ship and the ostentatious fortification of Vatican City gave rise to articles in the Italian press charging that France was preparing to restore the temporal power. On July 22, 1871, there occurred another incident which contributed still further to the alarm of the Italians. A number of French bishops sent a petition to the National Assembly "on the intolerable situation created by the Italian Government for the Sovereign Pontiff, and on the necessity of applying thereto a prompt remedy." Thiers explained the difficult situation and asked that the matter be left to the discretion of the government. He accepted an order of the day expressing confidence and sending the petition to the Minister of Foreign Affairs. The next day Jules Favre resigned as Foreign Minister because "the Assembly has associated itself with a policy the direct opposite of that which I have upheld and have had accepted."²

This situation created satisfaction at the Vatican but alarm at the Quirinal. The Italian Foreign Minister, Visconti-Venosta, said to the French minister:

"Italy has no other idea than to live in accord with France--for instance, we do not admit that there is a 'Nice question.' In Tunis we have no secret designs we are not rich enough to afford the luxury of an Algeria. There remains only the Temporal Power. If France were to make of it a national question, it would, in my opinion, be an enormous error in conduct. But that is the fear that your ultra-montaine party and your legitimists inspire in us in spite of ourselves."³

¹D. D. F., Ser. I, I, No. 6.

²Ibid., No. 34, footnote.

³Ibid., No. 119.

The fall of Thiers, May, 1873, and the formation of a more definitely clerical government under the Duc de Broglie still further increased Italian fears. Mention of an entente with Germany had already appeared in the Italian press and was now revived. The Italian Premier Lanza said to the French minister (speaking of the new French Cabinet):

"Their votes and speeches are studied and found unfriendly to us. We hope that in power they will see the danger of mixing religious questions with politics . . . [otherwise] They will throw us, in spite of ourselves, into the arms of Prussia, not a natural ally for us . . . if you force us it will be a misfortune for us and for you."¹

In September, the Archbishop of Paris published such a bitter fulmination on the subject of the Italian taking of Rome that the Italian Ambassador at Berlin was moved to express his astonishment that the Archbishop had not been prosecuted.²

In August, 1874, in view of the approaching Italian election and the bad effect that the presence of the Orénoque would have on public opinion, Italy made strong appeals to the French government with a view to having this source of irritation removed.³

After President McMahon had written the pope and explained the difficult position of France, he received a reply expressing realization of the situation. The order was then given to recall the offending ship, and another was stationed at a Corsican port to be put at the service of the pope should he decide to leave Rome.⁴

French historians admit that there was no justification for leaving a warship at Rome. Hippeau refers to it as "cette misérable provocation de la corvette l'Orénoque." The effect of the policy was to stir up unnecessary hostility to France in Italy. The removal of the ship, as so often happens in cases of good acts tardily done, did not repair the damage its presence

¹Ibid., No. 211.

²Ibid., p. 236. The archbishop had written, ". . . we cannot think that European powers will remain indifferent in face of a situation that wounds the sentiments of such a notable proportion of their subjects."

³Ibid., p. 336.

⁴Ibid., Ser. I, I, Nos. 331-32.

had caused.¹

It was during this period of political tension that negotiations were initiated on the subject of the trade treaty. This treaty was due to expire in January, 1876, but Thiers wished to be relieved of its restrictions in order to introduce protection. The Italian government displayed a conciliatory spirit and a tentative agreement was reached in Rome early in 1873. Thiers' fall in May of that year caused the matter to be dropped.²

In response to the demand for tariff revision in Italy and as a preparation for the introduction of a new tariff, the government in 1875 denounced the treaty of 1863 with France. This action was not to be taken as an expression of hostility to France but as a necessary preliminary to the changes Italy proposed to make in her tariff, especially the change to specific duties.³

A tentative agreement was reached July 6, 1877, but was again prevented from taking effect because of the very serious political crisis through which France was passing at the time. In the elections of December, 1877, the republicans won a decisive, and as it turned out, a final victory over the monarchist elements in France, and Italians hoped that an era of good relations would ensue because of the anti-clerical attitude of leading republicans and because of the known Italian sympathies of the great leader, Gambetta. These hopes might have been realized in the political sphere but for the Tunis episode, shortly to be related, but unfortunately for the trade treaty, the republicans were largely protectionists, and a new draft tariff was introduced to the Chamber with rates about 24 per cent higher than those of the previous tariff. To permit consideration of this new tariff the government delayed presenting the Italian treaty to the Chamber. But as the previous treaty was to expire April 1, 1878, the government succeeded, not without difficulty, in having it extended to June 30, 1878.

The Chamber committee apparently wished to drop the Italian treaty or at least to postpone consideration of it until after the adoption of a new French tariff, and hence a resolution was introduced authorizing the government to treat with Italy for new proposals. This would have been tantamount to a rejection of the

¹Hippeau, pp. 81, 137 ff.

²Amé, II, 316-20.

³Rausch, pp. 90 ff.; von Brandt, p. 149.

treaty and in order to avoid this, Waddington (Foreign Minister from December, 1877, to December, 1879) suggested that the president be authorized to ratify the treaty with two reservations: First, that provisions fixing the duties on yarn and cloth be deleted; and second, that the treaty might be denounced after one year. These reservations were meant to meet the objections raised by critics of the treaty to the effect that it would tie the hands of the government and admit yarn and cloth of all countries at low rates, through the operation of the most-favored-nation clause. In the course of the debate in the Chamber protectionist orators minimized the danger of a tariff war. Méline said that Italy would extend the existing treaty since it was highly favorable to her. Other speakers took a somewhat contemptuous tone in referring to Italy. Labordie said it was characteristic of Italians to make a noise, but that the application of their general tariff to French goods was out of the question. By a majority of five votes, 230 to 225, the Chamber adopted the committee's resolution--and so rejected the treaty.¹

It has been alleged that the Dufaure-Waddington Cabinet did not make a vigorous defense of the treaty in the Chamber because it had been the work of a preceding ministry. If we are to judge from the course of the debate, the charge is true, since very little was said by government speakers in defense of the treaty. It is relevant to notice that out of a total of sixty-four commercial treaties submitted to the Chamber in the period from 1877 to 1911, only this treaty and one other were rejected.²

The French Ambassador in Rome, who had just been instructed to invite the King of Italy to visit the French exposition, reported that Italian public opinion was so greatly moved by the rejection of the treaty that he did not consider it advisable to present the invitation, adding that in view of the prospect of an economic conflict the king might not be able to accept.³

Shortly after this Waddington offended Italian susceptibilities by a brusque refusal to permit an Italian representative on the Egyptian debt commission.⁴

¹Rausch, pp. 90 ff.; von Brandt, p. 155.

²Schuman, p. 322. ³D. D. F., Ser. I, II, No. 315.

⁴Luigi Chiala, Pagini di Storia Contemporanea (2d ed.; Turin, 1898), II, 146-49. Evidently, it was the discourteous manner of Waddington that hurt. Crispi said, "Fummo

From June 30, 1878, to January 15, 1879, the general tariff of each country applied to the goods of the other; on the latter date a bare most-favored-nation agreement was reached and later prolonged to February 8, 1882. Negotiations for a new tariff treaty reached a conclusion on December 3, 1881.¹

The new treaty, as was to have been expected in view of the growth of protectionist sentiment in both countries, contained provisions for duties on many articles previously on the free list, increased duties on others, and made no provision (beyond the most-favored-nation clause) for a still greater number. The previous treaty had fixed the rates on 450 items in the French tariff, whereas the new treaty dealt with only 150. Fresh meat, poultry, and game, previously on the free list, were subjected to duties from three to five francs per quintal. The duties on wine, rice, fruits, olive oil, sulphur, and marble--all important items of Italian export--were higher than in the previous treaty.²

One item that caused more wrangling than any other was the French duty of fifteen francs per head on cattle. Tirard, the French Minister of Commerce, made a slight concession on this item to avoid a break in the negotiations and had to be content with very slight modification of the Italian tariff.³

As usual, this treaty was variously interpreted. Zublin speaks as if all the changes were to the disadvantage of Italy, although he admits that the treaty gave general satisfaction, and that no one expected that a tariff war would soon break out between the two countries.⁴ Mancini said he had made a great concession to Tirard in giving up the arbitration clause, since this had been a ground on which he (Mancini) had previously criticized the Minghetti Ministry.⁵ The nationalistic Hippeau, and other critics of the Ferry Ministry, claimed that the French Ministry had made concessions in the trade treaty apparently in the hope of winning Italian friendship by economic favors. Hippeau added that this weak attitude had a quite different effect on Italy than

ingiuriosamente respinti." Another writer called it a "refus brutal, presque blessant."

¹Zublin, pp. 268-69; von Brandt, pp. 164-65.

²Zublin, p. 269.

³Rausch, pp. 191-92.

⁴Zublin, p. 269.

⁵D. D. F., Ser. I, IV, No. 184.

that intended by the French Ministry, and that it merely threw doubt on the firmness of French diplomacy.¹ Sachs, however, admits that most of the features of the previous treaty that France had objected to were not present in the new treaty.²

It is true that political considerations were urged in support of the treaty in the debate in the French Chamber, but it was argued by others that Italy's friendship could not be won in this way, and Rouvier, then Minister of Commerce, said it was advisable to keep economic and political questions separate, while admitting that a rejection of the treaty after the rejection of the previous one would be bad. The discussion in the French Senate was confined to technical questions.³

In the Italian Parliament the treaty was both defended and attacked on political grounds. Sperino, a left wing Deputy from Piedmont, said that France aimed at keeping Italy dependent and weak. Mancini said,

"Those who look on the treaty as a price we pay for living in peace with our neighbor are entirely mistaken If it could be shown that the treaty injured Italy economically, no political consideration would make us recommend it. . . . but we must recognize that commercial accord has a good effect on political relations."⁴

The simple truth of the matter is that the tariffs of both countries were higher after the treaty than under the previous treaty, and since most of the writers cited were the most superficial of protectionists, they counted any increase in the tariff of their country as a gain and any increase in the tariff of other countries as a loss.

In order to see the connection between this trade treaty and the political relations of the two countries, we have to remember that this treaty was concluded between the dates of the two most significant events that affected Franco-Italian relations in the last thirty years of the nineteenth century. These events were the establishment of a French Protectorate over Tunis (May 10, 1881) and the adhesion of Italy to Germany and Austria-Hungary to form the Triple Alliance. The latter event was

¹Hippeau, pp. 396-97.

²Isadore Sachs, L'Italie (Paris, 1885), II, 756-57.

³Chiala, III, 212, 299. ⁴Ibid., pp. 300, 305-6.

largely the result of the former and is to be discussed in the next chapter. A few words must be said on the question of Tunis.¹

The question of the French occupation of Tunis is a highly controversial issue, and it would be going beyond our field to deal with it extensively. We need only indicate what the issues were, the part played in them by commercial rivalry, and their significance for Franco-Italian relations.

The first issue was which country had the best claim to Tunis--assuming that it had to be taken over by some European power. The Italian claims were based on ancient history and modern settlement. Tunis, formerly Carthage, had been part of the Roman Empire and there was a very large modern Italian settlement in the country. French writers ridiculed these claims, asking whether nothing had happened since the days of Scipio.²

France based her claim largely on the fact that Tunis bordered on the French colony of Algeria, on French economic connection with the area, and to a less extent on the recognition of France's paramount political position in Tunis by the other great powers. As so frequently happens in such cases, the French occupation was defended on strategic grounds. One French historian states,

" . . . an axiom of our Algerian policy to prevent a European neighbor. There would be no security for Algeria the day a military power became installed in North Africa. That is what determined French action in 1881."³

The significant features of the episode for our purposes are three: First, since the issue was judged from such different premises in the two countries, ill feeling developed on both sides.

¹France, Ministère des Affaires Etrangères, Livre Jaune, Affaires de Tunisie, 1870-1881 (Paris, 1881); Narcisse Faucon, La Tunisie avant et depuis l'Occupation Française (Paris, 1893); Paul Leroy-Beaulieu, L'Algérie et la Tunisie (Paris, 1897); Great Britain, Blue Book, Tunis, No. 2; Maurice Pottecher, Jules Ferry (Paris, 1830).

²G. Valbert, "La France et l'Italie a Tunis," Revue de Deux Mondes, May 1, 1881, pp. 209-10. This writer is typical of many in the insulting manner in which he speaks of Italy. He says they forget that colonies cost money--says Italians want to buy diamonds before they have shirts.

³René Millet, Politique Extérieure, 1890-1905 (Paris, 1905), p. 86.

Second, the political desire for expansion and for winning prestige outweighed the economic factors as motivating forces behind the action of both countries.¹

On the Italian side Premier Cairoli had been bitterly attacked for what he called his policy of clean hands at the Congress of Berlin--his opponents thought he should have brought home some spoils for Italy, and it seems that he was determined to adopt a vigorous policy in the future.² An abler and more renowned statesman than Cairoli, Marchese Visconti-Venosta, had recognized that Tunis would be a burden economically--"we are not rich enough to afford the luxury of an Algeria"--and had advised against competing with France in Tunis.³

Italian writers claim that Germany, Austria-Hungary, and Russia had suggested that Italy take Tunis, and that it was only after Cairoli and Corti declined the offer that it was arranged that Tunis should go to France.⁴

On the French side it is to be noticed that it had been decided to take Tunis before the appearance of most of the economic issues later alleged to have caused the French action. It was the opposition of Gambetta that prevented action in 1878.⁵ This is another case in which the documents bring to light the values that rank highest in the minds of diplomats. Thus St. Vallier wrote that the error of not buying the Tunis railroad was throwing doubts on French firmness, that unfavorable comparisons were being made, rich France unable to devote a few millions to care for her prestige and glory, and poor and needy Italy laying out large sums to secure a state interest in Tunis.⁶

¹Eugene Staley, War and the Private Investor (New York: Doubleday, Doran & Co., 1935), pp. 351-52; Schuman, pp. 76-77, states: "An imperialist Premier had shrewdly seized an opportunity . . . there is no evidence that he acted at the behest of investors and concessionaires. It is more correct to say that he used French economic interests as a lever in dealing with parliament and public opinion."

²A. Lebon, "Les Preliminaires du Traité de Bardo," Annales des Sciences Politiques (1893), p. 410.

³D. D. F., Ser. I, I, No. 119; Chiala, II, 219.

⁴McClellan, p. 151.

⁵Staley, pp. 339, 341; P. H. X., p. 81; D. D. F., Ser. I, II, No. 330.

⁶D. D. F., Ser. I, III, No. 345.

Later the same diplomat wrote:

"Are we again going to justify the words of Gortchakoff, 'France no longer counts?' Europe is waiting to see. One act of energetic will and we regain our position in the eyes of the nations; a new proof of weakness and we have relegated ourselves to the level of Spain."¹

One authority maintains that the attitudes of the permanent officials, especially Courcel, was decisive. He points out that the policy of expansion was unpopular in the Chamber and in the country, and that hardly anyone defended it in the election campaign of 1881. He says that the Ministers of Foreign Affairs and War were opposed to it and that Ferry might have been worn out by the lack of support among his colleagues but for the intervention of Courcel.²

Indeed, it seems that the Tunis episode is merely one illustration of the way in which foreign policy in France was regularly formulated. As Professor Schuman has shown, civilian ministers tend to be guided by the permanent staff, while generals tend to have the same views as the professional diplomats, and the Ministry of Foreign Affairs is subject to little criticism or control by the legislature, by virtue of the tradition that foreign policy should be above party politics.³

The third point to be noticed is that commercial and tariff rivalry had practically nothing to do with the case. The Italian steamship line had to be subsidized, as did a French

¹Ibid., No. 349. It seems that the permanent staff of the French Ministry of Foreign Affairs and the representatives abroad were more imbued with expansionist aims than the Ministers. For instance, when the suggestions for immediate action against Tunis were rejected by the Cabinet (March, 1881), a message was sent from the Quai d'Orsay to the French Ambassador in Berlin urging him to continue sending messages insisting on the need of action! The Ambassador complied with a will, concluding with a statement that it caused "tears of blood" to see his country throwing away the remnants of its prestige and influence in the world. Ibid., Nos. 401, 406.

²Rene Valet, *L'Afrique du Nord devant le Parlement au 19me Siècle* (Algiers, 1924), pp. 177, 183, 209.

³Schuman, pp. 344-45, 379. Professor Schuman points out that the power of the state is the constant objective of the diplomats. Pp. 402 ff.

railroad; the unsubsidized English road went bankrupt. Furthermore, France did not in this case attempt to secure for herself a preferential tariff regime in Tunis, as she later did in Madagascar and elsewhere. Instead, she respected the trade treaties between Tunis and other countries until their abrogation was secured by negotiation in 1896. This was all the more noteworthy because of the fact that these treaties gave some countries, including Italy and Britain, better treatment than France herself enjoyed.¹

In the original draft of a treaty of protectorate prepared by Waddington there was a provision for a Franco-Tunisian customs union, but this section is not found in the treaty as signed.

French economists, with the single exception of Leroy-Beaulieu, opposed the Tunis expedition and the arguments he used were political more than economic. He wrote that if France did not act, all the European powers will conclude "that we are . . . softened by prosperity, incapable of will and courage . . . no nation so small but that it will feel strong enough to injure our nationals. . . . Well, what if it should cost thirty or forty million per annum?"²

Moreover, in spite of the fact that the occupation of Tunis began a new period of political hostility that lasted for years, it did not prevent the two countries reaching the trade treaty discussed above which was signed six months after the occupation. The period during which the trade treaty was concluded may be one of the rare cases in which political hostility was not entirely mutual. France, having attained her objective, had no occasion to hate Italy, and the Italophil Gambetta had begun his brief premiership, November 14, 1881, before the trade treaty was ratified and exerted pressure to secure ratification.³ Italy was undoubtedly hostile and was engaged in making an alliance with the enemy of France in order to prevent another humiliation. Chiala says there was no territorial acquisition that could repair the damage done by the occupation of Tunis. Italy, he says,

¹Roberts, p. 283.

²Leroy-Beaulieu, "Tunis," L'Economiste Francais, April 9, 1881, pp. 437-40, and May 7, 1881, p. 565.

³Chiala, III, 168.

had only two alternatives: First, renounce all influence in foreign politics, which no ministry could undertake to do and survive; and second, secure allies in preparation for a conflict with France.¹

Although the Tunis question was the great source of hostility, there were other events that contributed to the Italian ill-feeling. One of these was the occurrence of serious rioting near Marseilles, during which several Italians were killed. It appeared that the French police had failed to exert themselves to keep order, and the Italian press, with a single exception, attacked the French government with more than Latin violence.² However, the French market was far more important for Italy than was the Italian market for France, and hence the Italian government was ready to negotiate in spite of its feelings with regard to Tunis, and waited until the treaty was ratified before definitely concluding its alliance with the central powers.³

The French Ambassador to Italy reported that the fear of seeing the trade treaty rejected contributed not a little to restraining anti-French demonstrations. The Italian government spread the belief that the vote in the French Senate depended on the attitude displayed during the celebration of the Sicilian holiday, which occurred while the treaty was before the Senate.⁴

In the years following the conclusion of this treaty of commerce, intermittent negotiations were carried on with regard to a new treaty of navigation between the two powers. After many abortive attempts a treaty was signed April 30, 1886. The anti-Italian feeling in France was so strong that this treaty was defeated in the French Chamber 263 to 252 on July 13, 1886.⁵

¹Ibid., II, 221.

²D. D. F., Ser. I, IV, Nos. 54-69. In this dispatch, St. Vallier states, "Italy entertains an implacable hatred which only her impotence makes harmless."

³Ferry, during whose premiership the trade treaty was negotiated, claimed that it showed that Italy was not hostile to France. In defending himself against the charge of having lost the friendship of Italy by his Tunis venture, he said, "I do not know that a treaty of commerce has ever been a sign of profound misunderstanding." Chiala, III, 127.

⁴D. D. F., Ser. I, IV, No. 290. He adds that most Italians think the trade treaty will lead to a political understanding which they now desire because they see that an alliance with the central powers is practically impossible.

⁵Chiala, III, 722-27; France, Journal Officiel, Chambre, July 1, 1886, pp. 1465-73.

The rejection of this treaty of navigation and the protectionist tide that was sweeping over France caused the Italian government to fear that France was about to denounce the treaty of commerce. Further, Italy itself was in the act of introducing a higher tariff. Italy therefore took the initiative, and on December 10, 1886, denounced the trade treaty to take effect December 31, 1887.¹

It is hard to tell which government was most to blame for the failure to arrive at a new treaty. Crispi became Premier in August, 1887, and French writers blame his anti-French attitude for the failure of the negotiations.² Chiala, on the other hand, states that Crispi entered office with sentiments of goodwill towards France, and had consented to enter the Depretis Cabinet only on condition that the Triple Alliance had no offensive aims.³ This may well be true since Crispi, a left wing politician and former follower of the republican Mazzini, was a strong nationalist, and therefore more likely to be anti-Austrian than anti-French. It is clear, however, that his proud and pugnacious spirit was one which would inevitably be alienated by the attitude of superiority always adopted by the French press and often by French statesmen. Neither government showed itself willing to make concessions either of form or substance in order to reach an agreement.

In September, 1887, Italian negotiators went to Paris to arrange the preliminaries of a new trade treaty. Even in such an insignificant question as that of the place in which the negotiations should be held the matter of national prestige made itself felt. France consented that the final negotiations be held at Rome only on condition that the Paris meetings would carry matters so far that the meeting at Rome would have nothing to do but register results. It turned out that there were no results to be registered. Italy wanted most-favored-nation treatment and reductions in the French wine duties. France refused to grant this because Italy had just denounced all her treaties and therefore the

¹Chiala, pp. 727-29. This author states that no deputy opposed the decision of the government and that outside the Chamber only a few voices condemned it. A. Billot, La France et l'Italie, 1881-1899 (Paris, 1905), I, 56.

²Billot, La France et l'Italie, 1881-1899, I, 87-88.

³Chiala, III, 501.

most-favored-nation clause would have no effect unless and until Italy made treaties with other powers; in the meantime French goods would be subject to the high rates of the new Italian tariff.¹ Chiala, however, states that it was the announcement of Crispi's forthcoming visit to Bismarck that caused the negotiations to be dropped.² The *Matin*, on October 27, 1887, stated, "It is impossible not to harbor a certain distrust of the statesman who eagerly accepts the invitation of our arch-enemy."³

At this juncture, on December 19, 1887, the French legislature took a hand in the proceedings and passed a measure authorizing the government to prolong the treaty of 1881 for six months or to double the rates of the French general tariff against Italian products and to levy duties of 50 per cent ad valorem on the items previously on the free list.⁴

When the French Minister de Mouy asked for the six months' prolongation, Crispi refused, saying that to do so in face of the threats contained in the measure passed by the French Parliament would be unworthy of Italy. "Prove that you really wish to conclude a treaty," he said, "and I will grant the prolongation."⁵

Crispi's counter proposal for a two months' prolongation was accepted and French negotiators were sent to Rome.⁶ It was then that French animosity towards Italy for joining the Triple Alliance (it had been renewed early in 1887) showed itself in the trade negotiations. Crispi reports that de Bort said to Ellena, "As long as you remain in the Triple Alliance no commercial agreement will be possible." As Langer puts it, "A favorable treaty of commerce was dangled before the Italians as a reward for proper political conduct."⁷

After the refusal of France to reduce her duties on cattle, Crispi said the French proposals were definitely unsatisfactory.

¹Billot, *La France et l'Italie, 1881-1899*, I, 80 ff.

²Chiala, III, 504.

³Francesco Crispi, *Memoirs* (London: Hodder, 1912), II, 231.

⁴Billot, *La France et l'Italie, 1881-1899*, I, 87-88.

⁵Crispi, II, 272-73.

⁶Franke, pp. 16 ff.

⁷Crispi, II, 246-49, 254; Langer, *The Franco-Russian Alliance*, pp. 115-16; cf. an article by Crispi in the *Fortnightly Review*, June, 1891, cited by Chiala, III, 505, footnote.

Further proposals were made February 20, 1888, and the Italian government asked if these were final or the beginning of new negotiations. France replied that they had no changes to make, and Italy broke off negotiations, Crispi announcing the fact to the Deputies by reading his telegram to the effect that the French proposals were "insufficient to assure Italy of the sincere intention of France to arrive at an equitable conclusion."¹

Thus began the most bitter and injurious economic war of modern times. It was fought not only in the fields of commerce and shipping but also in the field of finance, and in both fields the political motives of France--namely, to drive Italy out of the Triple Alliance--came most clearly to light.

The course of the tariff war can be briefly told. The French fighting duties provided for in the law of December 19, 1887, went into effect on March 1, 1888. Special fighting duties were also enacted by Italy. Crispi was genuinely afraid of a French invasion. He claimed that he had positive information to the effect that France was putting pressure on Pope Leo XIII to leave Rome. The Italian government had made plans for mobilization and named the commanders of the various army corps. London and Berlin did not credit the rumors of a French attack, but Germany was ready to put 1,200,000 men in France in ten days and had a month's provisions ready on the Rhine.² Other incidents besides the tariff and financial difficulties were increasing the animosity. One such incident was the attempt of the Italians to treat Massouah, a Red Sea port, as Italian territory without the consent of the powers; another was a French attempt to curtail the privileges of Italian schools in Tunis; a third, and apparently the most serious in French eyes, was the proposed visit of the King of Italy to Strasbourg with Kaiser William II in May, 1889. Incredible as it may sound to us, Billot speaks of this as a "project which might be considered as a gratuitous provocation to France and one which might lead to a rupture."³

However, on October 10, 1889, the Italian Ambassador in Paris reported assurances of friendship from the French Foreign

¹Billot, La France et l'Italie, 1881-1899, I, 88 ff.; Franke, pp. 16 ff.; France, Affaires Etrangères, Documents Diplomatiques, Negotiations Commerciales avec l'Italie, 1886-1888.

²Crispi, II, 393-412.

³Billot, La France et l'Italie, 1881-1899, I, 153.

Minister, Spuller, and four days later Crispi announced the repeal of the differential duties to take effect from the end of the year. Spuller and Premier Tirard were anxious to establish better commercial relations, but feared criticism in the Chamber.¹ Hence, the French fighting duties remained in force until the new French tariff came into effect in 1892. This was another cause of recrimination on the part of Italy, but the French defended their action on the ground that their old general tariff was so much lower than the new Italian tariff that the discrimination was only apparent.²

In the spring of 1890, relations were improved by the visit of an Italian squadron to Toulon, but in the summer feelings were again raised to fever pitch by a rumor that France intended to turn her occupation of Tunis into annexation. When Italy brought up the question of occupying Tripoli, Ribot (Foreign Minister from March, 1890, to January, 1893) said, "Public opinion in France would condemn the government if it supported Italy in this unless Italy should withdraw from the Triple Alliance Until the Triple Alliance is denounced, there can be no intimacy between us."³

Crispi was succeeded by Rudini early in 1891, and although he renewed the Triple Alliance, he did not maintain Crispi's attitude of truculent opposition to every move of France in the Mediterranean. For instance, he dropped opposition to French fortification of Bizerta, which Crispi had been willing to prevent at the cost of war. This attitude made negotiation on economic questions possible, and since both countries were weary of the strife, conversations were begun which led to agreements first on the Tunis question, next on shipping question, and finally on the financial and tariff questions. But this is anticipating. In the first months of his ministry, Rudini felt the weight of French displeasure at his renewal of the Triple Alliance in the form of continued exclusion from the French money market.⁴

¹Crispi, II, 163-65.

²Billot, La France et l'Italie, 1881-1899, I, 163-65.

³Crispi, II, 467-69, quoting Ressen's dispatch of August 21, 1890. Crispi adds that these words repeated in the Matin were the sentiments of all France.

⁴Viner, The Southwestern Political and Social Science Quarterly, March, 1929, pp. 13-15; Chiala, III, 545; Billot, La France et l'Italie, 1881-1899, I, 289 ff., says he found Rudini (Premier) incoherent with rage at a French banker and quotes him

That Italian adherence to the central powers was the controlling factor in the attitude of France is shown by the negotiations over Abyssinia. Billot admits that the difficulty might have been solved but for the renewal of the Triple Alliance. He did not even discuss a possible solution when Rudini refused to state that a renewal was not being contemplated.¹ That the feeling was not confined to the French government is shown by Billot's admission that French public opinion was ready to make sacrifices to restore good relations--"subject to a single condition: that the Italians leave a coalition which made them the guarantors of our dismemberment."²

Billot states that in her commercial treaties with Germany and Austria-Hungary in 1891 and with Switzerland in 1892, Italy was careful not to grant concessions on the most important French exports in order that eventual granting of most-favored-nation treatment to France would not mean much. Nevertheless, Ribot would have been willing to grant Italy most-favored-nation treatment and other concessions, but his goodwill was paralyzed by the dispositions that still existed in the Chamber and in the country.³

Ribot attempted to get Italy to reveal the terms of the Triple Alliance, or to make a binding declaration that it was strictly defensive. The Italian Ambassador replied March, 1897, by citing Rudini's speech in the Italian Chamber and suggested that a settlement of the trade dispute would be the best indication of French friendship. Ribot said he was prevented by the Triple Alliance and that simple declarations by a minister did not reassure him.⁴

Further requests for the terms of the Alliance and further economic pressure on Italy finally brought the irascible Rudini to the point of telling the French Ambassador that,

" . . . if Ribot prevents tariff reductions and excludes Italian loans from the French money market, it must be borne, but it is quite another thing to say so crudely to the

as saying, "They have dared--they must think us low indeed--they don't know me--they let themselves speak of the Triple Alliance--they have dared to impose conditions on me! Oh, these Jews--I don't know how I refrained from throwing him out of the window." This is substantiated by G. P., VII, 92.

¹Billot, La France et l'Italie, 1881-1899, I, 304 ff.

²Ibid., pp. 340-41.

³Ibid., p. 407.

⁴G. P., VII, 64-65, 70.

official representative of Italy. That is a threat let Ribot apply to Berlin or Vienna and see what kind of a reply he would get."¹

The French campaign against Italian finance and commerce was meeting with a considerable measure of success,² and this seemed to stiffen French opposition, although France too was suffering. As Billot puts it, "In opening our markets to them we would furnish them with means, which would otherwise be lacking, to strengthen their naval and military forces whose aid was promised to Germany."³

In May, 1893, Franco-Italian relations were improved by a friendly reception given a French general at the dedication of a monument to those who fell in the war of 1859. In August the old wounds were opened again. There were anti-Italian riots in the south of France which lasted three days. Seven Italians were killed and twenty-four seriously injured. As before, the Italians claimed the French officials did little to protect the Italians, and that the injured were refused admission to hospitals.⁴

There followed inflammatory articles in the Italian press and anti-French riots in various parts of Italy. Even the French Embassy in Rome was attacked; a special detachment of one hundred and fifty Italian troops was overcome and a determined effort was made to break into the building. Luckily for the Embassy staff and the peace of Europe, the Embassy was housed in an edifice that had been built to withstand attack. The mob had secured some steel girders from a nearby construction project, and were using them as battering rams against the building with shouts of "Death to the French," when a strong detachment of troops came to the rescue. About the same time the heir to the Italian throne attended German army manoeuvres in Alsace-Lorraine.⁵

In the fall of 1893, Ressa, the Italian Ambassador in Paris, definitely expected war and asked the German Ambassador

¹Ibid., Vol. VII, Report of the German Ambassador in Rome, March 23, 1893.

²B. D., II, 286, Report of the British Ambassador, November 3, 1893. He stated that France hoped for a revolution in Italy.

³Billot, La France et l'Italie, 1881-1899, I, 408.

⁴Ibid., p. 466; G. P., VII, No. 127.

⁵Billot, La France et l'Italie, 1881-1899, I, 466 ff., calls this "a grievous and unexpected blow for all French hearts."

what help could be expected from Germany. Ressenman told Billot that a continuation of the French policy would not lead to bankruptcy and revolution in Italy but to war; he admitted to the German Ambassador that France did not desire war because "she can slowly but surely ruin Italy in peace."¹

The danger of war at this time rose not so much from the statesmen as from the press and public opinion. Two successive French Foreign Ministers, Develle and Casimir-Perier, admitted that the Italian government was doing its best to restrain Italian feeling, but feared war none the less. The situation was so tense that the German Chancellor, Hohenlohe, asked his Ambassador in Paris to discuss the unmeasured attacks of the French press against Italian statesmen.²

On June 24, 1894, President Carnot of France was assassinated by an Italian anarchist, and the spontaneous and universal expression of sympathy throughout Italy had a good effect on Franco-Italian relations--unfortunately largely offset by violence offered Italians in Lyons and other French cities.³

In 1895, the erection of a statue to General McMahon at Magenta once more improved relations--only to have them made worse by the announcement of the Franco-Russian alliance. Late in 1895, a radical ministry under Leon Bourgeois came to power in France. As the radicals were generally considered to be friendly to Italy, Crispi, once more in power, took the opportunity to sound out Bourgeois. According to Crispi's diary of February 9, 1896, Bourgeois said, "An understanding between the two countries is impossible as long as Italy remains a party to the Triple Alliance. The French nation would rebel against it. . . ."

In March, 1896, the last Crispi Ministry resigned following the defeat at Adua in Abyssinia. Rudini returned to power, and again the prospect of a Franco-Italian rapprochement grew bright. The next month, however, the Méline-Hanotaux Ministry was formed in France and hope for an end of the tariff war grew dim once more. One of Crispi's papers, Roma, said, "Méline, that fierce apostle of agricultural protection, has done more than any other man to perpetuate the state of hatred between the two

¹G. P., VII, 131-34.

²Ibid., pp. 133, 140.

³Billot, La France et l'Italie, 1881-1899, II, 55.

countries." Opinione, Rudini's organ, pointed out that it was not Méline's protectionist principles that stood in the way, since Méline had been a strong supporter of the Franco-Swiss commercial treaty. The real obstacle, in the opinion of this journal, was political.¹

The Tunis question was brought to the fore again at this juncture because of the fact that the Italo-Tunisian trade treaty of 1868 expired in 1896. Since it contained a clause providing for tacit renewal for another twenty-eight years unless denounced, the French government in its capacity as protecting power denounced the treaty. Crispi's attitude had been to insist on all Italy's legal rights in Tunis, especially those accruing by the operation of the most-favored-nation clause from the perpetual treaty between Tunis and England and from the treaty between Tunis and Austria. In addition, Crispi claimed the rights accorded by the old capitulations.

This intransigent attitude on the part of Crispi no doubt made the French anxious to come to an arrangement with the more reasonable Rudini. The Crispi forces made one more fight. By harping on the patriotic string, they drove Rudini's Foreign Minister Sermoneta into adopting the Crispi program. This was not supported by public opinion, and Sermoneta was replaced by the illustrious elderly aristocrat, Visconti-Venosta. Crispi attacked his program as weak and treasonable, but Visconti-Venosta's reputation made him invulnerable to such attacks.

Knowing that Tunis was not nearly so important in the eyes of Britain or Austria as in those of Italy, France commenced negotiations with a view to getting these powers to give up their rights to capitulations in Tunis. If these powers could be induced to relinquish their rights, they would not be likely to support Italy should she refuse to give up hers. An arrangement was made with Austria whereby that power met the wishes of France in Tunis in return for French consent to higher Austrian duties on French wine. The Austrian Ambassador in Paris informed Italy of the arrangement and the information made the Italians more ready to make concessions.² An agreement was reached September 28, 1896, by the terms of which Italian goods were not to pay higher duties on entering Tunis than those of any power except France, and in

¹Ibid., p. 312.

²Dumba, pp. 59-60.

no case were such duties to be higher than those of the French minimum tariff. Other clauses covered Italian protégés then on record and Italian schools then established.¹ Three days later an agreement was reached on the navigation question.

The tariff question remained; it was more difficult than either of the others because of its greater practical significance and because of the greater number of interests involved. However, a series of events facilitated the rapprochement. The Italian Chamber ratified the Tunis settlement 232 to 64 after a masterly speech by Visconti-Venosta, in which he said the treaty should be considered as the first step towards economic peace between the two countries. A little later Italy and France worked together in the Graeco-Turk War of 1897 and the Prince of Naples paid a visit to Paris.²

In the meantime, various business associations in both countries had declared in favor of ending the tariff war.³ In 1896 a congress of French Chambers of Commerce composed of 425 delegates unanimously adopted a resolution in this sense. It remained to convince the French statesmen that the step was politically advisable. Billot, the French Ambassador at Rome, had first attempted to prevent the 1891 renewal of the Triple Alliance. When he failed in this, he set about creating conflicting interests for Italy. His plan was to let commerce regain its normal course, with Italy finding her chief market in France. If an incident should then arise threatening the peace, he felt that Italy would not be so ready as before to push matters to extremes. He admits that getting the plan accepted in France was not the easiest part of his work.⁴ Hanotaux was one of the first ministers to become converted to the plan of reaching an accord with Italy, and he was able to convince Méline and Boucher (Minister of Commerce, an extreme protectionist) that tariff concessions may be offset by "advantages of another order."⁵

¹Billot, La France et l'Italie, 1881-1899, II, 357.

²Ibid., pp. 368-70, 385-95.

³Charles Augier, La France et les Traités de Commerce (Paris, 1906), p. 86.

⁴Billot, "Le Rapprochement Commerciale Franco-Italien," Revue de deux Mondes, January, 1899, pp. 137 ff.

⁵Schefer, p. 217.

Meline was the hardest to convince because his political aversions were supplemented by protectionist prejudices. However, the friendly attitude displayed by the Rudini Ministry and the fact that in the Italian general elections of 1897 Rudini's supporters won two-thirds of the seats went far to overcome Méline's political objections and he finally consented to an arrangement which would leave the silk duties untouched. Semi-official negotiations were undertaken, and by the end of 1897 Italy had accepted all the demands regarded by France as essential.¹ Final conclusion of the treaty was delayed by the French elections of 1898 and by Cabinet reconstructions in both countries during the summer. The new Italian Ministry had no objection to accepting the terms of the proposed treaty, since Crispi's followers had been reduced to thirty and hence were no threat to the government. In the new Dupuy Cabinet in France, Delcassé had become Foreign Minister, and the arrangement with Italy was entirely in accord with his general policy of winning friends by being friendly, which contrasted sharply with the previous French policy of winning diplomatic victories by audacity and force.

The agreement was signed November 21, 1898. The discussion of the treaty in the French Chamber lasted only one day. Only two deputies opposed it. Delcassé said, "We may congratulate ourselves on now having on our frontiers a friendly people." The vote was 441 to 49. In the Italian Chamber the vote was 226 to 34, Crispi unmoved but overwhelmed.² The tariff war was officially ended by the French law of February 2 and the Italian law of February 11, 1899.³

By the terms of the agreement Italy got most-favored-nation treatment for all her exports to France except silks, but very little else. France received most-favored-nation treatment except on silks, and reductions on some sixty other items. The effect of the change was to put 58 per cent of Italy's exports to France on the free list and to restore the rates of the previous treaty to a further 12 per cent of her exports. Specific reductions on

¹Billot, Revue de Deux Mondes, January, 1899, pp. 140-41.

²Billot, La France et l'Italie, 1881-1899, II, 439; Porter, p. 150.

³Zublin, p. 272; M. Dijol, Le Tarif Douanier de 1892 (Montpellier, 1910), pp. 31 ff.

items of importance to Italy were: Game, 20 per cent; butter and honey, 33-1/3 per cent; eggs and cheese, 40 per cent; and cured pork, 50 per cent.¹

The effect of the tariff war may be judged to some extent by the following figures:

	Italian Exports to France	Italian Imports from France
1881-1887 (Av.)	347	302
1888-1897 (Av.)	135	155
1901	148	179
1902	168	184
1903	171	193
1904	182	200
1905	194	224
1906	219	244
1907	198	256
1908	204	276
1909	199	329
1910	218	334

The failure of Italian exports to grow rapidly after the restoration of normal relations is explained by the growing exports of Tunis and Algeria, which had a preference in the French market, and which largely consisted of products similar to those of Italy. Italian wine was particularly hard hit by competition from these colonies.²

Aside from the statistics it was generally agreed that Italy suffered more from the tariff war than did France.³ This was due partly to the location of France and partly to the fact that much of Italy's exports were bulky and perishable articles like beef, dairy and poultry products. For this reason the tariff war was particularly disastrous to Southern Italy and Sicily, which were predominantly agricultural. The great emigration from these regions which took place at the time may be traced largely to the distress caused by the tariff war. Wine production in Italy fell from 2,000,000 hectoliters to 900,000 hectoliters.

¹Zublin, pp. 274-75; Ermels, p. 56; France, Journal Officiel Chambre S. E. Annexes 1898, pp. 324 ff. This gives a summary of the negotiations, a statement of the benefits expected to result from the treaty, and a complete list of changes (nine pages) effected in the individual items of the tariffs.

²Zublin, pp. 271, 284-87, 306-7.

³Franke, p. 21.

That the French tariff was to blame seems a reasonable inference from the fact that exports to France declined from 1,330,000 hectoliters to 19,000 hectoliters in the same period.¹

It is also generally agreed that as time went on Italy somewhat adjusted herself to the new situation, partly by changing the allocation of her resources, partly by finding new markets, especially after the treaties of 1891-92 with the central powers and Switzerland, and partly by finding new routes to her old markets, for instance, by shipping her silk to France through Switzerland.²

Little more need be said about Franco-Italian relations. The accession of Victor Emmanuel III and Queen Ellena, a former Montenegrin princess, was favorable to Franco-Italian friendship.³ The King and Queen made a visit to France, and it was understood that the President of France would return the visit in spite of the fact that it was known that the pope would not receive the head of any Catholic state who visited the King of Italy in Rome. The French President received a great reception in Italy and the pope made a formal protest to France and informed other powers that it was special considerations that caused him to leave his representative in Paris. Delcassé asked for explanations and not receiving them recalled his ambassador from the Vatican. The days when the Roman question could prevent Franco-Italian friendship were definitely over.⁴

The Delcassé policy of winning Italy away from the Triple Alliance by kindness was continued and proved eminently successful. Tariff relations continued to be governed by the Agreement of 1898. Improving political relations were marked by a series of events. First there was Prinetti's note of July, 1902, in which Italy agreed to observe a strict neutrality in case France became the object of a direct or indirect attack by one or several powers, or in case as a result of provocation France saw herself forced to

¹Corrado Barbagello, L'Italia dal 1870 ad Oggi (Milan: Treves, 1918), pp. 29-30.

²Great Britain, Blue Book on Tariff Wars, Cd. 1938.

³George H. Stuart, French Foreign Policy, 1898-1914 (New York: Century Co., 1920), p. 82.

⁴Ibid., pp. 90 ff.

declare war in defense of her honor or safety. As an example of such provocation he gave the Ems dispatch.¹

Next there was a deal whereby France secured the support of Italy in Morocco in return for a free hand in Tripoli--an arrangement which resulted in Italy supporting France against her allies at Algeiras.² Outside forces also contributed to bring France and Italy together. In this category comes the Anglo-French entente. Friendship with Britain was one of the unchanging tenets of Italian policy; she had made it clear to her allies that the Triple Alliance must not be construed as imposing an obligation to take the field in opposition to Britain. Hence the going over of Britain to the side of France inevitably loosened the force of the Triple Alliance and brought Italy closer to France.³ Another event was the annexation of Bosnia and Herzegovina by Austria-Hungary in 1908. This, combined with the treatment accorded the Italian-speaking elements in Austria-Hungary, stimulated Italian nationalist and irredentist feelings, in other words, hostility to Austria, or in still other words, friendship for France.⁴

During the Turco-Italian War (1911-12), hostility flared up again between France and Italy because of the seizure of two French ships on suspicion of carrying contraband. Further, Italy's retention of the Dodecanese and her ambition to play a larger role in the Eastern Mediterranean prevented Italy from going completely over to the Entente, but Austrian measures against Italians in Trieste in 1913 stirred up Italian opposition to Austria again.⁵

¹Rudolf Hoernigk, Italien Zwischen Frankreich und dem Dreibund (Berlin: Ball, 1931), pp. 62-63; Porter, pp. 152-53. This note, of which Germany and Austria naturally had no knowledge, was a disgraceful piece of double-dealing. It was tantamount to a declaration that Italy did not intend to live up to her obligations to her allies in any contingency, because it is inconceivable that France would attack Germany on a more baseless ground than the Ems dispatch.

²P. Silva, L'Italia fra le Grandi Potenze 1881-1914 (Rome, 1931), pp. 108, 139; Porter, pp. 270-71; France, Affaires Etrangères, Les Accords Franco-Italiens de 1900-1902.

³L. Bissolati, La Politica Estera dell' Italia, 1897-1920 (Milan, 1923), pp. 65-67; Barbagello, pp. 63-64.

⁴Silva, p. 141.

⁵Ibid., pp. 167-70.

By this time there was a Nationalist Party in Italian politics which put the Irredentist agitation on a continuous, organized basis. The result was that when the World War broke out Italy, though still nominally bound by her treaty of alliance with Germany and Austria-Hungary, had really taken the position that she would fight only in case of an unprovoked attack on one of her allies and then only in case Britain was not among their enemies. Italy's failure to support her allies, and her subsequent deal with the Entente Powers which made her an ally of France, were no surprise to the initiated.

To sum up for Italy and France, we may distinguish three periods. During the Second Empire tariff relations and political relations were both friendly on the whole, notwithstanding a certain irritation caused by Napoleon's support of the pope. During the early years of the republic political relations grew steadily worse, reaching a point where war seemed imminent and completely dominating commercial relations.¹ In the third period dating from 1896 we find a growing political friendship accompanied by and manifesting itself in friendly commercial relations. In no case were political considerations subordinated to commercial interests; on the contrary, the tariff war was largely a weapon in the political struggle--now whip, now sugar, as was said of the Austrian treatment of Serbian trade. It is significant that, as in the Serbian case, the tariff at least when used as a whip was a singularly ineffective device, producing results exactly the opposite of those desired.

¹Cf. Grünzel, p. 65; Petermann, pp. 58 ff.

CHAPTER X

ITALY AND THE CENTRAL POWERS, OTHER RELATIONSHIPS

1848-1870

The relations of Italy with Germany and Austria-Hungary are so intertwined both commercially and politically that it would involve both repetition and confusion to try to make them into two stories. In the early years of the period as common enemies of Austria, later as allies of that power, the relations of Prussia and Sardinia, later Germany and Italy, were closely connected with the relations of the two powers with the Hapsburg Monarchy. In general, it may be said that Germany and Italy had no conflicting political aims and hence might have been expected to become allies.

Between Austria and Italy, on the other hand, there existed an age-old connection. After the Napoleonic wars Austria was in possession of Lombardy and Venetia and the ruling houses of many of the independent Italian states were connected by blood or marriage with the Hapsburgs. All the Italian states were governed autocratically and most of them very poorly.

The policy adopted by Austria towards Italy in the decade 1849-59 has some points of similarity to the policy she was pursuing with regard to Germany at the same time. In both cases the aim was to strengthen her political position by closer trade relations. In Italy the Kingdom of Sardinia took the role assumed by Prussia in Germany--that of opposing Austria and uniting the country under her own ruling house, the House of Savoy. Sardinia, like Prussia, had adopted a more liberal tariff policy than Austria, but here the parallelism ends. Sardinia in 1848 had adopted the political elements of the liberal program--constitutional government as well as nationalism. Moreover, although Lombardy and Venetia had long been Austrian possessions, Italian patriots never ceased to regard the Austrians as barbarian invaders. Hence Sardinia was able to make use of the sentiment of

hatred towards the foreigner in her struggle with Austria--a policy which Prussia could not use because Austria had long been recognized as the leading German state. Furthermore, since most of the Italian autocratic rulers were related to the Hapsburgs, the struggle for democracy, which to some extent took the form of republicanism, was merged in the national struggle against Austria. It can thus be seen that the contest over the trade question which played such a large part in the German struggle was of secondary or even tertiary importance in Italy. There was never any thought of permanently dividing Italy between the House of Savoy and the House of Hapsburg. Hence, Sardinia never tried to create a Zollverein of all Italian states outside the Austrian provinces proper. Her aim throughout was to obtain the Italian provinces of Austria, to drive out the pro-Austrian Italian autocrats, and to make the whole country into a unitary state under the House of Savoy. It was Austria who sought to use the tariff weapon, and who attempted to create a customs union with the states of central Italy.

Austria's attempts to strengthen her position in Italy by closer trade relations go back almost to the Treaty of Vienna, 1815. That treaty restored as far as possible the trade treaties existing before the Napoleonic wars. In the case of Sardinia, trade relations were regulated by an obscurely worded treaty of 1751 and intermittent negotiations were carried on for years in a vain attempt to agree on the proper interpretation of that treaty. A step towards agreement was taken in 1834 when a convention providing for joint action to suppress smuggling was reached. This was denounced by Sardinia in 1842 after she had failed to secure satisfactory tariff treatment for Piedmont wine from Austria. Schwarzenberg had advocated meeting the wishes of Piedmont in this matter on political grounds, but the proposal met vigorous opposition from Lombardy (then an Austrian province) and the government evidently thought it better to meet the wishes of its Italian subjects rather than admit the Piedmont wine.¹

In 1847 the younger Metternich, Austrian representative in Piedmont, again urged agreement with Piedmont in order to strengthen the tottering absolutist regime and bind it more closely to Austria. The negotiations dragged on without reaching any

¹Beer, pp. 345 ff. This careful writer is my authority for most of the facts in the period before 1866.

conclusion, and early in 1848 Metternich wrote that difficulties were being raised (by Piedmont) which seemed to have no other object than that of prolonging them until the danger of revolution had passed or of making them fail in order to avoid stirring up the wrath of the revolutionary party, which might take an agreement between the governments of Sardinia and Austria as a signal for an uprising.

As we have seen, the uprising occurred and swept the government of Charles Albert along with it into war with Austria. In the treaty of peace it was agreed that a reciprocal most-favored-nation treaty would be arranged later. This was done in 1851, and was accompanied by a convention for the suppression of smuggling. This was regarded in Vienna as a great concession on the part of Piedmont, and was obtained with great difficulty.

In the kingdom of the Two Sicilies, Austria was even less successful in getting trade preferences. That kingdom had treaties with France and Britain giving them certain reductions in duties, and met all Austrian requests for preferential or even equal treatment with the argument that if Austria were granted the rates accorded France and Britain, these latter states would demand further reductions. The Two Sicilies maintained this attitude even after Austria had sent troops to quell an uprising that threatened to overthrow the dynasty.

In central Italy, Austria attempted to form a Zollverein which would include Modena, Parma, Tuscany, the Papal States, and the Austrian provinces of Lombardy and Venetia. It was felt that caution must be exercised in order to avoid incurring opposition from Britain and France. Prince Metternich considered the revolutionary movement in Italy dangerous only to the extent that it expected help from France, hence any benefits secured for Austria through closer trade relations would be dearly bought if they involved the danger of causing France to intervene. However, a preliminary agreement was reached with Modena just before the disturbances of 1848; and in 1849 after peace was restored, Parma declared its intention to accede. A definite treaty was arranged in 1852. This treaty, of course, did not create the Mid-Italian Zollverein which was Austria's aim, since the duchies which joined it were unimportant states compared with Tuscany and the states of the Church, which remained outside. It was hoped, however, that these states could be induced to join later. Indeed, there was

some hope that even Sardinia might join. In the hope that these developments would take place, the treaty between Austria, Modena, and Parma was made to run for a short time only, namely to 1857. Cautious efforts were continued during the interval but reached no results. In order to forestall opposition from other powers, it was decided to have the pope take the initiative, and to form first a purely Italian Zollverein which Austria later would join. The pope expressed his desire to meet the wishes of Austria, but there were great difficulties to be overcome. None of the states concerned were enthusiastic about the plan, the protected interests which feared injury in case the plans were consummated made their influence felt, and the customs officials of the Papal States, having a vested interest in maintaining the existing customs lines, delayed the inquiry they were directed to make into the effects of the proposals. Finally there was considerable doubt as to whether any arrangement to which Austria could be a party would be compatible with Austria's treaty obligations to the German Zollverein and Sardinia.

The problem facing the Austrian diplomats was to formulate a relationship between Austria and the Italian states which would be accepted by the other powers as a Zollverein (which would therefore relieve Austria from the necessity of extending to Prussia and Sardinia the concessions granted the Italian states) and at the same time permit the rates of the Austrian tariff to be higher than those of the Italian states and permit the existence of a customs frontier between Austria and Italy. The Austrians argued that the essence of a Zollverein is community of trade relations with the rest of the world, evidenced by mutual protection of fiscal interests, and similarity of customs regulations, especially the exemption of all foreign goods from the internal customs lines. The Zollverein designed by Austria did not materialize, but a somewhat similar arrangement was reached between Austria and Modena in 1857 on the expiry of the Austria-Modena-Parma treaty of 1852. The new arrangement contained a secret clause to the effect that the whole treaty would become inoperative without being denounced if Austria could not get the German Zollverein and Sardinia to admit that the arrangement was a customs union. Prussia soon made it clear that she did not consider that a genuine customs union had been created and Sardinia learned of Prussia's stand. Hence Austria realized that to put the arrangement with Modena into

effect without giving Sardinia the same concessions would expose her to the charge of having violated her most-favored-nation treaty with Sardinia and thus make the already very tense political situation still more threatening. The secret clause in the treaty thus took effect and another of Austria's attempts to gain political influence by trade arrangements came to an end.

After the war of 1859, in which Austria lost Lombardy, the trade treaty of 1851 between Austria and Sardinia was renewed. Trade relations were now much less satisfactory than before because of the very close economic connections between Venetia and Trentino, still under Austrian rule, and Lombardy, now part of the new Italian Kingdom. Matters were still further complicated by the fact that Austria refused to recognize the annexations of the other states to Sardinia, and continued to apply differential treatment to goods coming from the different parts of Italy. For instance, goods shipped to Austria from ports in what had been the Two Sicilies paid lower duties on entering Austria than goods from other Italian ports. This unsatisfactory state of affairs continued until after the war of 1866, when Austria lost Venice. A new trade treaty was reached April, 1867, in which Austria recognized the Italian Kingdom and granted some tariff reductions on fruits, rice, cheese, silk, olive oil, and linen. In return Italy reduced the duties on articles of special interest to Austria, including some export duties. Reciprocal most-favored-nation treatment was included.

The important fact about the entire period 1848 to 1866 is that the political relations between Austria and Sardinia were determined by the nationalist movement, that is to say by the fact that Austria ruled important sections of Italy and that the great majority of Italians not only in Sardinia but throughout the peninsula wished to erect an independent united Italy.

The fact that Austria failed in her attempts to make trade treaties serve political ends is interesting in other connections, but for our purposes the point to be emphasized is not their failure but the fact that trade relationships had no significant bearing on political relations.

Italy's relations with Prussia during this period were a by-product of the relations of both powers with Austria. As was related in the preceding chapter, Cavour at first looked to Napoleon III to free Italy. This no doubt resulted from the fact

that the Austro-Prussian rivalry did not become acute until the 60's and because of the legitimist and anti-national leanings of Prussia.

After the Peace of Zurich, 1859, which left Austria in possession of Venice, Italian statesmen began to look towards Prussia for help. The Italian government was still on the best of terms with Napoleon, in spite of the disappointment of Garibaldi and the extreme nationalists, and hence Bismarck was reluctant to conclude a strict alliance with Italy, because he feared that France would be kept informed of all developments--something he wished to avoid. Nevertheless, Bismarck gave clear evidence of his friendship for Italy. In January, 1866, the highest Prussian order, the Grand Collar of the Black Eagle, was conferred on Victor Emmanuel, and at the same time Prussia used her influence with the states of the German Zollverein to get them to recognize the new kingdom of Italy. Shortly afterwards, a treaty of alliance was arranged. In the discussion of the expected campaign, the possibility of sending an Italian squadron to the Baltic came up. The Italian delegate did not refuse the request, but asked that the Trentino be included in the territory which Prussia would bind herself to secure for Italy. Bismarck, however, was positive in his refusal to promise Italy the cession of a land that formed an integral part of the Germanic confederation. Nevertheless, he let it be understood that the attitude of the inhabitants and the course of the war would be decisive for the fate of Trentino.¹

The negotiations preceding the war with Austria show clearly that prestige and military glory were the dominant motives in both Italy and Austria. Prussia offered a money indemnity for Austria's interests in Schleswig-Holstein; Italy offered four hundred thousand Austrian gulden and a favorable trade treaty for the Italian provinces. Vienna was furious, "Was then ancient Austria so weak that her possessions were for sale to every greedy buyer? No!" Austria would fight rather than sell anything; and it was not because of any overweening confidence in her ability to defeat her enemies. In fact, Austria, at Napoleon's suggestion, agreed to turn Venetia over to France (later to be ceded to Italy) as the price of Italy's neutrality in the expected war with

¹Giuseppe Gallavresi, Italia e Austria 1859-1915 (Milan: Treves, 1922), p. 67.

Austro-Italian relations were thus gradually becoming worse when the French protectorate over Tunis was declared and definitely tipped the scales against France and in favor of the central powers. It is not necessary to deal in detail with the negotiations leading to the formation of the Triple Alliance and its various renewals. This has already been done by a master hand.¹ For our purposes it is sufficient to note that Kalnoky, who succeeded Haymerle as Austrian Foreign Minister, rejected an Italian proposal for mutual guarantee of territories out of regard for the feelings of the pope, but later agreed to negotiate a treaty in order to be sure of Italy in case of war. Kalnoky, although distrusting the Italian ministers, wanted to meet the wishes of King Humbert, who was eager to join the German-Austrian alliance as a safeguard of the monarchical principle. Bismarck agreed to the idea of an alliance only after the defeat of the French clericals and the victory of the republicans (whose real leader was Gambetta) made a Franco-Italian rapprochement possible.

The French government knew that Italy was attempting to make an alliance with the central powers, but their diplomatic representative in Rome reported as late as April 4, 1882, that the Italians could see that this was practically impossible.² Some French statesmen felt that internal political circumstances would prevent Italy from joining the central powers. Thus Gambetta is quoted as saying, ". . . They are all irredentists in Italy. Trentino and Trieste will always prevent an entente between Italy and Germany and Austria-Hungary."³

The year 1887 was marked by three events of great importance for the relations of Italy with the central powers: First, new Triple Alliance treaties; second, accession of Crispi to power in Italy; third, the new Austro-Italian trade treaty. The negotiations for the new Triple Alliance were carried on under circumstances very different from those existing five years before. The Three Emperors' League had foundered on the rock of the Bulgarian question. Boulanger's star was rising so rapidly in France that it seemed as if the republic was doomed. The Czar

¹Alfred Francis Pribram, The Secret Treaties of Austria-Hungary (Cambridge: Harvard University Press, 1921), Vol. II.

²D. D. F., Ser. I, IV, 290, 306.

³Michele Rossi, I Cairoli (Bologna, 1929), II, 79.

felt attracted to the warlike general, and sent him a sword bearing an inscription to the effect that "Fortune Favors the Bold." Under these circumstances the importance of Italy to the central powers was greatly increased, and her statesmen determined to take advantage of this new situation to get better terms in the treaties with her allies.¹

Bismarck, whose motive was the preservation of peace, was faced with one of the most difficult problems of his career. He wanted treaties with Austria and Italy, and he put pressure on both powers to moderate their demands in order to permit the alliance to be restored. At the same time he wished to avoid any sweeping commitments which would encourage either nation to provoke a war.

The outcome was another triumph for Bismarck. He secured Italy's adherence by a clause providing that Italy would receive compensation in case Austria occupied any further territory in the Balkans. He secured Austrian acceptance by a clause stating that the occupation of Bosnia and Herzegovina would, as a matter of course, end in annexation and that this would not entitle Italy to compensation.² He assured himself that Britain would defend Italy against an attack by France and thus felt safe in agreeing to support Italy's interests in the Mediterranean. Later in the same year the Russo-German reinsurance treaty and the Mediterranean Accord between Britain, Austria, and Italy completed the diplomatic fortifications by which Bismarck hoped to safeguard his country and the peace of Europe.

The advent of Crispi affected the international position of Italy chiefly by strengthening the bonds of the Triple Alliance. As a Left-wing politician, a former republican, and a strong nationalist, he might have been expected to favor France and support the irredentists. However, he was one of those who remembered France's defense of the pope rather than her opposition to Austria, and his patriotic and irascible spirit was offended and enraged by the undisguised contempt with which the French press and many French statesmen regarded Italy. He accepted Bismarck's statement that the reason Italy did not receive Trentino in 1866 was because the cession of territory was settled by Napoleon III and Francis

¹Gallavresi, pp. 212-13.

²Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 71-73.

Furthermore, Bismarck was determined to make friendship with Austria the foundation of his foreign policy and hence made it clear to the Italians that the road to Berlin lay through Vienna.

In his discussions with the Italian ambassadors and his instructions to the German Ambassador in Vienna, he made the point that it was difficult to make binding secret treaties with a country in which the ministry was subject to the changing whims of a parliamentary majority. By 1882 he admitted the advisability of some arrangement that would assure Italian enutrality, but was unwilling to guarantee Italian territory for fear of antagonizing Catholics.¹

It is impossible to say how the situation would have developed had it not been for the Tunis episode. The governments in power in Italy up to 1876 were for the most part composed of the elder statesmen of the Right who followed a cautious policy of good relations with their neighbors. The Austrian Foreign Minister, Andrassy, a former Hungarian revolutionist, was inclined to favor friendly relations with democratic Italy rather than Bismarck's plan for a Three Emperors' League. Andrassy's successor, Haymerle, had spent several years in Italy as Austrian Ambassador and was also friendly towards that country.²

In 1876 a ministry of the Left under Depretis assumed power in Italy, and the Francophil tendencies of the Premier so aroused the suspicions of Germany and Austria that Crispi was sent on a goodwill tour to Berlin and Vienna--a tour which had no apparent result other than that of increasing Bismarck's antipathy towards Italy.

There is some evidence that leading Italians, including the king, desired a war with Austria at this time.³

The Austro-Italian commercial treaty of 1867 as originally concluded was to expire in 1876, and as no new treaty was reached the existing arrangement was renewed four times for short intervals until December, 1878, when a new treaty was reached. Hence this was a subject for discussion between Crispi and Andrassy in

¹G. P., III, 187-95, 205, 211. Some typical notes on dispatches are "kindlichen egoismus," "Wechselnde Lügen," *Ibid.*, pp. 183 ff.

²Charmatz, pp. 89, 116-17.

³Crispi, II, 9.

1877. When Crispi suggested the conclusion of a new treaty, Andrassy said, "Not so fast! Politics have little to do with commercial relations." Crispi replied expressing general agreement with this view, but said that negotiations should be commenced, as a suspension of the treaty might give rise to false impressions. Andrassy agreed, and the subject was dropped.¹

Before the trade treaty was concluded, Depretis was succeeded by another Left ministry under Cairoli, and during his tenure of office, the Congress of Berlin authorized Austria to occupy Bosnia and Herzegovina. The fact that Italy received no "compensation" was regarded as defeat for Italian diplomacy and greatly stimulated the spirit of irredentism. The agitation became open and violent, and Austria charged that the Italian government did nothing but apologize.² It was at this time that the new trade treaty was concluded between Austria and Italy. As this period marked the beginning of the reaction towards protection, the new treaty contained no significant reductions in the tariff of either country, but 99 items in the Italian tariff and 77 in the Austro-Hungarian were bound.³ There is no evidence that political considerations influenced either country in determining its attitude to the commercial treaty. Lang states definitely that the difficulties in negotiating this treaty were due to the desire of both countries to raise duties, especially to the high Italian rates on spirits.⁴

In 1879 and 1880 the irredentist agitation continued and the Austrian government was particularly irritated by the spectacle of Italian cabinet ministers acting as pall-bearers at the funeral of the president of the irredentist organization.⁵ So threatening did the situation become that Austria, in the spring of 1880, strengthened her garrisons in Trentino and sought to come to an understanding with Germany as to the attitude of that power in case of a rupture with Italy.⁶

¹Ibid., p. 88.

²McClellan, p. 147.

³Zublin, pp. 213-14.

⁴Lang, pp. 265-66.

⁵Crispi, p. 103. Other acts of the Italian government which angered Austria were the conferring of Italian "orders" on citizens of Tyrol and Trieste and the admission of entries from the Italian-speaking provinces of Austria to the Italian National Exhibition in Milan.

⁶D. D. F., Ser. I, III, 32; Gallavresi, p. 144; Charmatz, p. 117.

Prussia! Italy, however, wanted to receive the province direct from Austria.¹

Moreover, Italy was by this time allied with Prussia, and the Italian government felt that it was in honor bound to take part in the war, notwithstanding the fact that it was known in Italy that Bismarck intended to provoke a war.² There followed the seven weeks' war of 1866, culminating in the defeat of the Austrians at Sadowa. As a result of this defeat Austria gave up Venetia. The Italian forces, however, were defeated by a much smaller army of Austrians at Custoza, and hence there could be no question of the cession of Trentino to Italy.

With the acquisition of Venice, the unification of Italy was practically completed. Austria, it is true, retained Trentino and the Italian-speaking region on the eastern shore of the Adriatic including Trieste and Fiume, but the former was not of very great importance and the latter was considered by most students as properly constituting part of Austria on geographic and economic grounds. Hence from this time forward there was a division of sentiment among Italians with regard to Austria; some were content to live on good terms with the old empire, others continued to long for the acquisition of the Italian-speaking areas still beyond the Italian frontier. With regard to France, as we have seen, there was also division of opinion, some remaining grateful for Magenta and Solferino, others remembering Napoleon's failure to free Venetia and his support of the pope. Italian feeling towards Prussia was also divided. There was gratitude for the "assistance" rendered by Prussia in the war of 1866, but gratitude is a notoriously weak tie in international relations, and many Italians disliked the autocratic governmental system upheld by Bismarck.

As far as these divisions of opinion had any connection with internal political divisions in Italy, we may say that the parties of the right tending more towards monarchical and legitimist principles were inclined to be favorable to Austria, while the left parties tending more towards republicanism and nationalism

¹Charmatz, pp. 66-67; McClellan, p. 115, says Austria secured Napoleon's neutrality by promising to cede Venice regardless of the result of the war.

²Gallavresi, p. 73.

tended to favor France.

We have seen that Napoleon's support of the pope prevented him from getting any aid from Italy in his war with Prussia. After the downfall of the Empire, however, many Italians thought that France would experience a rebirth of vigor which would lead to victory, and a band of Garibaldian volunteers enlisted with the French armies. This seems to have been one of the causes of the intense dislike that Bismarck long entertained towards Italy; at any rate he wanted to except the Italians from the armistice, in order that he might capture and exhibit them in Berlin as evidence of Italian ingratitude.

Prussian-Italian trade relations in this as in all subsequent periods were subordinated to their trade relations with France and Austria and were not a factor in their political relations.

1870-1914

From the Franco-Prussian War to the end of the century, Italy's relations with the central powers were the resultant of two factors--the irredentist movement in Trieste and Trentino, and Franco-Italian hostility. The fact of the matter is that Italian nationalist feeling and many leading Italian newspapers and statesmen were fundamentally hostile to both France and Austria, but since Italy alone was not a match for either, let alone both, it was necessary for her to seek allies. Owing to the permanent enmity between France and Germany, the latter was about the only available ally for Italy, although many Italians felt that Germany was not their natural ally.

Bismarck, however, was reluctant to enter into an alliance with Italy. He had an utter contempt for Italy as a military power and made no attempt to conceal his dislike and distrust of the Italians. In 1880, he said to the French Ambassador:

"Since 1866 I have been tired of the Italians, that campaign showed their weakness and their presumptuous pretensions. . . . The visit of a certain Crispi made complete the distaste I feel towards them He proposed in succession the mutilation of France and Austria Italy is not a serious military state; let her produce painters, musicians, singers, and dancers--that is her proper role."¹

¹D. D. F., Ser. I, III, 307; Gallavresi, p. 142.

Joseph beforehand.¹ Although he was as anxious as anyone for the acquisition of the Italian-speaking provinces of Austria, or at least of those areas which economic and geographic considerations did not clearly assign to Austria, Crispi nevertheless felt that the best way to achieve this result was by friendly negotiation and that the irredentist agitation was doing the cause great harm by driving the Austrians to adopt repressive measures. He therefore suppressed the irredentist societies and restrained the anti-Austrian propaganda with a heavy hand. At the same time, in his intercourse with Austria, he adopted the maxim that the best defense is offense, and, instead of taking the somewhat apologetic stand of his predecessors, he kept up a constant stream of criticism of the treatment that Austria meted out to her Italian-speaking subjects--always on the ground that he was doing everything possible to restrain the irredentists, and that if Austria continued her repressive treatment of Trieste and Trentino, the irredentist movement would be strengthened.²

The third event of the year was the signing of the new Austro-Italian trade treaty. This treaty was very similar to the treaty it replaced, but contained slight reductions in the Austrian duties on iron and steel, machinery, leather, porcelains, and woolen and cotton cloth. Of more importance for the trade of the two countries was the celebrated wine clause which read, "If during the life of the treaty, a duty of 5.77 lire per Hl or less be levied on wine entering Italy . . . the Monarchy binds itself to grant Italian wine a rate of 3.20 gulden per 100 kg." There is no evidence available which would throw light on the origin of this clause. At the time the Italian duty was 20 lire and Austrian exports to Italy were 170,000 quintals compared with 2,000 quintals of Italian wine entering Austria. As we shall see, however, this clause later became operative. The treaty also provided for relatively low duties on hemp and flax.³

This trade treaty was concluded in December, 1887, and the new treaties of the Triple Alliance in February of the same year, but there does not seem to have been any connection between the two events.⁴ It will be remembered that both Bismarck and Kalnoky

¹Crispi, III, 110.

²*Ibid.*, II, 347 ff., Vol. III, chap. iv.

³Zublin, pp. 214-15.

⁴Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 44-77.

preferred to keep political and economic matters separate, and even the Italian ministers were more interested in high politics than in economic questions. The economic war with France had not yet begun, and hence Italy did not feel the pressing need for trade outlets which she was to experience later.

Crispi took the occasion of the negotiations for the trade treaty to state that he desired their success all the more "because the two states, between which there now existed fair and honorable political ties, retained nothing of their ancient quarrels beyond the memory of each other's valor."¹ But since the political treaties had been concluded in February, the only influence that they could have on the commercial treaty would be the imponderable effect of the goodwill existing between the powers.

In 1890, long before either the commercial treaty with Austria or the Triple Alliance treaties were due to expire, Crispi began negotiations for their renewal. The Italian statesman wanted to replace the existing set of three separate treaties which constituted the Triple Alliance by a single treaty to which all three states should be signatories. He also wanted the negotiations for the new commercial treaty to be carried on in connection with the negotiations for the new treaty of alliance. It must be remembered that Italy at this time was in the grip of a severe economic depression, largely the result of the financial and tariff war being waged with France at the time.

A great many Italians were emigrating and Socialist and other radical agitation was winning many converts. Crispi, perceiving for once the importance of things economic, and hoping to obtain assured access to the markets of Germany and Austria-Hungary, wished to create some sort of a Zollverein of the three powers.²

Kalnoky said that his country and Germany were interested in reaching an agreement with Italy on commercial matters, but that the conclusion of the pending negotiations for the alliance must have precedence.³

¹Gallavresi, p. 213.

²Ibid., p. 225; G. P. VII, 1394-96.

³Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 93. The Austrians considered Crispi's plan for a Zollverein impractical. G. P., VII, 1398.

preparing for one of the bitterest economic struggles our country has experienced."¹

A new trade treaty was signed in February, 1906. By the terms of this treaty, 87 per cent (in value) of Italy's exports to Austria were subject to no higher duties than in 1901 and about 10 per cent paid lower duties. The important wine clause, however, disappeared, and shipments which had exceeded 1,500,000 quintals before 1902, fell to 182,000 after the new treaty.²

This same year, 1906, marked the passing of the date which renewed the Triple Alliance for another six years. Giolitti and Tittoni had by this time replaced the Francophil Zanardelli and Prinetti as Premier and Foreign Minister respectively. Giolitti, though distrusting Austria to the extent of erecting some fortifications on the Austrian frontier, favored remaining in the Triple Alliance as a guarantee of peace.³ The negotiations for the commercial treaty of 1906 were apparently marked by a willingness to make all concessions which internal political considerations permitted, and by an understanding of each other's difficulties, Pribram says the issues were settled in a manner acceptable to both countries.⁴ The power of denouncing the Triple Alliance Treaty was at no time used as a threat to secure better terms in the trade treaty.

In the years following 1906, Italy continually drifted away from her allies. The annexation of Bosnia and Herzegovina caused a wave of anti-Austrian sentiment to sweep over Italy that never receded.⁵ Most important, however, was the irredentist agitation. The Nationalist Association, after several years of agitation, was reorganized in 1912 as a political party, and carried on a vigorous campaign of chauvinism directed chiefly against Austria.⁶ In 1913, it elected five members of the Chamber. At

¹Ibid., p. 73, reprinted from Avanti of August 9, 1901.

²Zublin, pp. 228-29.

³Giovanni Giolitti, Memoirs of My Life (London: Chapman, 1923), p. 389.

⁴Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 137-41.

⁵McClellan, p. 178; Silva, p. 141; Redlich, Der Gegensatz Zwischen Oesterreich-Ungarn und Russland, p. 23.

⁶Barbagallo, pp. 66-74.

an earlier date the agitation was so extreme that the bellicose Conrad had suggested a preventive war against his country's Italian ally! Indeed, troops had been concentrated on the Italian frontier in preparation for action, but Aehrenthal vetoed the proposal and removed Conrad from his position of Chief of Staff.¹

The Italian government through its Ministry of Education must bear its share of the responsibility for the persistence of irredentism. In the official school geographies, Nice, Corsica, Malta, Trieste, Trentino, etc., were all shown as Italian.²

That political considerations had more weight with Italian statesmen than their interest in developing their trade may be seen from their opposition to the Vienna-Saloniki railway. While it is true that this route might have offered some competition to the route through Italy as an outlet to the Near East, it must be remembered that the Balkans constituted a large potential market which the Saloniki route would have opened up and in which Italy (by a short branch line to the Adriatic) might have shared.³

Thus when it became necessary to decide whether or not to renew the Triple Alliance again there was probably more opposition to it than at any previous time. San Giuliano, Italian Foreign Minister, was in no hurry to conclude another treaty, since the complications arising out of the Italo-Turkish war were occupying his attention. Berchtold had no confidence in Italy and no enthusiasm for renewing the treaty. Kiderlen-Waechter, the able Foreign Minister of Germany, was anxious to have the treaty renewed and had the support of public opinion in Germany and Austria-Hungary. It is doubtful whether the treaty would have been renewed but for certain events that occurred in 1912. The Italian war of aggression against Turkey was condemned by the practically unanimous public opinion of Europe. This war was particularly embarrassing to the German statesmen who were attempting to maintain a favored position in Turkey. Moreover, Austria-Hungary objected to various measures adopted by Italy in the course of the war. Thus

¹Gallavresi, p. 309; Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 143-44.

²Hippeau, pp. 607 ff. Cf. the French geographies that designated Alsace-Lorraine as "La France Separee."

³Robert Michels, Tendenzen des Italienischen Handels im Ostlichen Mittelmeer (Weltwirtschaftliches Archiv., 1913), Part II, pp. 46 ff.

satisfactory solution of the commercial problems, especially the wine question.¹

Bülow, speaking for Germany, at first said that agreements of commercial nature lay beyond the province of the Triple Alliance. Later he said that the new commercial treaty must follow the new German tariff and that for internal political reasons he could not promise not to denounce the existing commercial treaty before the conclusion of a new one. He did, however, declare himself willing to make a binding declaration to do everything in his power to prevent the lapse of treaty relations.

Goluchowski said that Austria-Hungary could not consider renewing the wine clause, but he made a vague promise with regard to the commercial treaty, "since lack of understanding in economic matters is regarded in Vienna as dangerous in the extreme not only in regard to Austria-Hungary's own interests but also because of its harmful reaction on the political relations of the two states."²

Prinetti considered Goluchowski's formula too indefinite and suggested renewing the Triplice for only three years since "out of consideration for his sovereign he would not face the possibility of a tariff war beginning eighteen months after the conclusion of a political treaty that was to run for six years."³

Bülow and Goluchowski rejected this suggestion, and Lanza and Nigra (Italian Ambassadors in Berlin and Vienna) joined with Giolitti in persuading Zanardelli, Prinetti and the king to renew the Triple Alliance without change. Prinetti made a written promise to renew the treaty, but asked that the actual signing be postponed to a date not later than July, 1902, in order that opposition attacks in the Chamber could be met with the assertion that the renewal had not taken place! Bülow and Goluchowski agreed to this, and in this way Italy in June, 1902, again, but this time

¹Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II. 116-20.

²Ibid., p. 130.

³Hoernigk, p. 70; G. P., XVIII, Nos. 5705, 5707, 5710-11, 5721-23, 5735, 5744, 5753. In these negotiations both Bülow and Goluchowski made much of the argument that since trade treaties were subject to legislative approval in both countries, it was impossible to make binding commitments with regard to them.

with neither enthusiasm nor sincerity, became a member of the Triple Alliance.¹

A new trade treaty between Austria and Italy was concluded in 1904. As compensation for giving up the wine clause, Italy secured reductions in the Austrian duties on nuts, olive-oil, and on a quota of 450,000 quintals of wine. This arrangement was unsatisfactory to the Italians, who thought they had a good argument for revision of the treaty in the fact of an unfavorable balance of trade with Austria--a balance which grew much faster than the total trade between the two countries after 1904.²

Austrian distrust of Italy at this time was shown by a large increase in the garrisons along her Italian frontier, and Italians thought the refusal to renew the wine clause was just another indication of Austrian unfriendliness.³

The difficulty of negotiating this treaty and Italy's dissatisfaction with it seemed to justify an argument made in 1901 by the Socialist writer Bissolati:

"Some defend the Triplice as a means of obtaining favorable treatment in the commercial treaties about to be renewed It is erroneous to imagine that international economic relations depend on the artifices of political treaties. Popolo Romano notes that Austro-Italian commercial relations were better before the Triplice came into existence than they have been since."⁴

This same writer a few weeks later objected to the Triple Alliance on the ground that it did not coincide with economic and tariff understandings "since it is with our allies that we are

¹Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 131.

²Zublin, pp. 217-19. The figures in million lire were as follows:

	<u>Austrian Exports to Italy</u>	<u>Austrian Imports from Italy</u>
Average 1901-03	186	116
" 1904-06	259	124

³Gallavresi, p. 275.

⁴Leonida Bissolati, La Politica Estera dell'Italia dal 1897 al 1920 (Milan: Treves, 1923), pp. 69-71.

Germany, now under the cautious guidance of Caprivi, was in no hurry to renew the Alliance because of the possibility of complications arising from Italian action in Tripoli. Early in 1891, however, three events occurred which made Caprivi anxious to renew the Triple Alliance: Crispi was driven from office and succeeded by Rudini, reputedly a Francophil; it was rumored that the Paris Rothschilds had held out great promises of financial aid to Italy if she would remain neutral in a Franco-German war; finally, there were hints of a Franco-Russian alliance. A powerful motive impelling Rudini to renew the alliance was his feeling that it was necessary to do so in order to keep open the connection with England.¹

Rudini considered Crispi's idea of Zollverein with the central powers unattainable, but felt that the renewal of the Triplice might be coordinated with the commercial treaties and insisted that a protocol dealing with commercial matters be included in the Triple Alliance agreements. The central powers were not ready to enter into detailed discussion of trade questions, hence the protocol merely promised most-favored-nation treatment and "every facility and every special advantage in economic matters which would be compatible with domestic interests."²

The Triple Alliance renewal was signed in May, 1891. In December of the same year were concluded the Caprivi commercial treaties which regulated Germany's trade and tariff relations with Austria-Hungary and Italy. We have noticed that Caprivi was to some extent influenced by political considerations in negotiating these treaties. In spite of this, Crispi criticized Rudini's failure to make sure, at the time the Triplice was renewed, that Italy would get good treatment in the trade treaty.³ A new trade treaty between Italy and Austria was concluded in February, 1892. The negotiations leading to this were long and difficult, for Austrian agriculture was in a depressed condition, and being depressed was fighting stubbornly for protection. Italy was in an

¹Julius von Eckardt, Berlin, Wien, Rom (Leipzig, 1892), p. 131; Langer, The Franco-Russian Alliance, 1890-1894, pp. 157-58.

²G. P., VII, 1427; Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 100; Chiala, III, 553.

³Alfred Francis Pribram, The Secret Treaties of Austria-Hungary, II, 103.

even worse condition economically, with her currency depreciated and her people losing confidence in the savings banks. In view of the circumstances the Italian negotiators were quite successful.¹ They secured reductions in the Austrian tariff on fruits, vegetables, olive-oil, meat, and silk as well as the renewal of the wine clause of the previous treaty.² Lang says this treaty was essentially a renewal of the treaty of 1887 except for the higher Italian duties on linen.³

Italy availed herself of the provisions of the wine clause in August of the same year, and since the Austrian vineyards were suffering from Phylloxera, Italian wine exports to Austria expanded rapidly. This trade treaty was to run until 1903 and was extended to January 31, 1904. The Triple Alliance Treaty of 1891 was to run for six years and to remain in force a further six years unless denounced by May, 1896. Although Rudini failed in his attempt to have the treaty modified by the addition of a clause to the effect that it was not directed against Britain, he did not denounce the treaty and hence it was automatically extended to 1903. Negotiations were begun in 1900 for a new commercial treaty, as Austria was determined not to renew the wine clause and desired to find some new arrangement which would secure Italy's consent to the loss of this most important privilege.

Various circumstances combined to make Italy much less interested in remaining allied with the central powers than had previously been the case. Austria's inept handling of her Italian-speaking subjects, especially her policy of favoring the Slavs at the expense of the Italians, provided continuous supplies of fuel for the fires of irredentism. King Humbert was assassinated in 1900 and his successor, Victor Emmanuel III, was not as friendly to the central powers as Humbert had been. Finally, the Franco-Italian rapprochement had rescued Italy from her feeling of dependence on the central powers. Zanardelli, who became Premier in 1901, was definitely Francophil and declared that since the commercial treaties expired before the political, Italy's foreign policy would be guided by the outcome of the negotiations on the commercial questions. Prinetti, Foreign Minister, declared that his assent to the renewal of the Triplice must depend on a

¹Gallavresi, p. 229.

²Zublin, p. 216.

³Lang, pp. 317-19.

Italy was experiencing a feeling of exasperation towards her allies. At the same time she felt isolated and friendless, and when the French press attacked her with all its old time fury on the occasion of the stoppage of the French ships Manouba and Carthage on suspicion of carrying contraband, and when the French government presented a virtual ultimatum on the subject, Italians were again impelled to seek safety in alliance with the central powers.

Negotiations were begun again by Italy in October, 1912, and the results of the Balkan War which began in the same month still further contributed to Italian willingness to renew the Triple Alliance. The Balkan allies overran Turkey so rapidly that Italy had visions of a powerful South-Slav state occupying the eastern shore of the Adriatic. In order to prevent this, Italy found herself forced to make common cause with her old enemy Austria. Thus the Triple Alliance was renewed in December, 1912. Trade and tariff considerations played no part in this event nor in the events which caused Italy first to remain neutral and later to join in the war against the central powers. The decision to remain neutral was the result of the sharp division of opinion that existed in Italy as to the issues involved, the latent hostility to Austria,¹ and the inept diplomacy of Berchtold. The Austrian Foreign Minister not only failed to arrange any compensations for Italy, but even omitted to inform his ally of his plans!

The entry of Italy into the war was the result of feverish nationalist propaganda which whipped up the feelings of the people to the fighting point, plus a lot of secret bargaining between Italy and both groups of belligerents--a sort of auction sale in which the Entente emerged with the prize both because they made a higher bid and because Italy thought they were more likely to be able and willing to pay.

As I have dealt with the question of Austro-Italian relations chiefly from the official standpoint, as a question of the relations between the two governments, it may be advisable to refer briefly to the view widely propagated during the World War that the Triple Alliance was merely an arrangement between

¹This had been roused again in 1913 by Austria's threat to attack Serbia and by further anti-Italian measures taken by the Austrian authorities in Trieste. Silva, p. 170.

politicians which the majority of Italians never supported. This view is not in accord with the weight of historical authority. It is true that there were always many who disapproved of the alliance. These included the ardent Catholics who wanted to see the temporal power restored and who objected to anything that strengthened the Italian Kingdom, also most of the ex-republicans who were Francophil. On the other hand, as McClellan says, "the majority of Italians welcomed it as rescuing Italy from isolation. . . ."¹

The Italian historian Chiala, in a chapter devoted to the movement of Italian public opinion in favor of the alliance, quotes from leading statesmen and newspapers of all the principal parties, and concludes with the very fair observation, "This testimony demonstrates how unfounded is the contention of French publicists that the Triplice was the work of one man, one party, or of the dynasty."²

It is true that Crispi was an exceptionally bitter opponent of France, especially for a left-wing politician, and it may be that much of the popular hostility to France was a reaction to the tension with that power unnecessarily created by Crispi; nevertheless, Croce states that the great majority of the nation supported Crispi in his repression of irredentism.³ Even Billot admits that "in the Italian elections of 1890 all parties except the extreme left supported the Triplice as an instrument of peace. . . ."⁴ Rudini's declaration in the Chamber June, 1891, that the treaty would be renewed was greeted by warm and prolonged applause from all sections of the Chamber except the extreme left.⁵

While there was never great popular enthusiasm for an alliance that linked the country with the possessor Trentino and Trieste, and while its renewal was sometimes favored by accidental circumstances, it thus appears to have been the case that the various governments responsible for its continuation were on the whole reflecting the judgment of the bulk of the Italian people.

¹McClellan, p. 154. This author states that there were times when the alliance was popular at home and times when it was not. Ibid., p. 172.

²Chiala, Vol. III, chap. viii, pp. 349-57.

³Croce, p. 125.

⁴Billot, La France et l'Italie, 1881-1899, I, 250 ff.

⁵Chiala, III, 556-57.

To sum up for Italy and the central powers, we find that Italy and Germany were on good terms politically and commercially throughout the period. Their earlier political alliance was based on common opposition to Austria; their later alliance, the Triplice, on common opposition to France. Commercial friendship was largely the result of the fact that they had few competing products and that the importance of each as a market for the other was not of first rank. Italy's relations with the Hapsburgs varied from time to time with the varying attention that was given to the irredentist movement--the one political factor which persisted throughout the period. In the years before 1866, Austria and Italy--meaning here the democratic and nationalistic elements in Italy, after 1848 led by Sardinia--were open enemies, waging three wars in eighteen years. Tariff relations were not uniform between Austria and the different Italian states, but in general Austria attempted to use the tariff for political ends and failed. From 1866 to 1882 tariff relations were satisfactory, while political relations gradually changed from cordiality and projected alliance while Beust was Austrian Foreign Minister, to suspicion and hostility after the victory of the left in Italy. In the period from 1882 to 1914, Italy and Austria were political allies, but the irredentist agitation was never completely stilled and gradually drove Italy into the camp of the enemy. During this period trade and tariff relations were fairly satisfactory. Italy, during her economic war with France, tried to use her political importance to the central powers as a means of extracting tariff concessions, especially from Austria, but in each case the Triple Alliance was renewed before any definite agreement was reached on the commercial questions.

Other Relationships

We have now examined the relationships of each pair of countries in which trade and tariff questions had any appreciable bearing on political relations or vice versa. The remaining relationships, viz., the relations of Italy with Britain and Russia, of Britain with Russia and Austria-Hungary, and of the latter with France, may be disposed of very briefly.

Italy and Great Britain were on good terms politically and commercially throughout the period. Britain was the first power to recognize the new kingdom of Italy. Britain's declared

intention to defend the coasts of Italy against France was a factor in the situation during the tension between France and Italy. Later Britain's shift from the side of Germany to that of France was an important factor in depriving Italy's membership in the Triple Alliance of all meaning, since Italy always made it plain that she would not take the field against Britain. No tariff incidents of any significance affected the relations of Italy and Britain.

During the Turco-Italian War, 1911-12, although British public opinion condemned the Italians as decidedly as that of other countries, no word of rebuke was heard from Grey, the man who had so sharply condemned the purely formal change involved in the annexation of Bosnia and Herzegovina.¹

The relations of Italy with Russia were largely governed by the Mediterranean question. Cavour joined France and Britain in the Crimea, partly because of Italy's interest in blocking the advance of Russia, but more for reasons of prestige. The absolutism of Russia was also a factor alienating the two countries especially after the victory of the left in Italy. An approach to friendship was made in the famous meeting at Racconigi in 1909, but later developments again ranged Italy against the Slavs. Relations with Russia were not a factor in determining Italy's attitude to the World War. Russo-Italian trade was relatively small, and there occurred no tariff incidents that had any bearing on the political relations of the two countries.

Anglo-Russian relations underwent a complete change during the period. At first, Anglo-Russian antagonism was considered to be one of the unchanging elements of European politics similar to the Anglo-French hostility of earlier days or the Franco-German opposition after 1871. This opposition developed into actual hostilities in the Crimean War; it almost led to war in 1878 and again in 1885; and it led Britain to conclude the alliance with Japan in 1902. It was only after Britain's fear and distrust of Germany had caused Britain to settle her differences with France that Delcassé was able to bring about a reconciliation of the Lion and the Bear. There were no cases in which tariff incidents affected the relations of the two countries during the period. This, however, is one case in which it might be alleged that

¹Ward and Gooch, III, 455.

tariffs were an important underlying or indirect cause of opposition, because Russia's tariff most of the time was exceedingly high, and much of the Anglo-Russian friction related to territorial expansion in Asia where commercial considerations are usually considered dominant. Now there is no doubt that this argument has some validity. On a priori grounds it is reasonable to admit that fear of loss of trade was a large factor in British opposition to Russia.

Indeed, there is some evidence that this was the case. Chamberlain is reported as advocating alliance with Germany on the ground that with the help of Germany China could be kept open for world trade.¹ That trade rivalry was not the dominant factor, however, is proved by reversal of Britain's attitude to Russia without any change in the tariff or colonial policy of the latter. The Russian tariff grew steadily higher and higher from 1877 forward. Her policy of expansion in Asia never ceased. Even after the agreement of 1907 which divided Persia into spheres of influence, Russia continued her aggressive advance in that country in a manner which would have caused war with Britain in the days before the German fleet had caused a new orientation of British policy.²

The relations of Britain and Austria-Hungary were not quite as simple, but in general it is true that up to the end of the nineteenth century Britain and Austria were united politically by their common opposition to Russia. It was during this period that there occurred the only case of interaction between tariff policy and other aims that is to be found in the relations of the two powers. The Anglo-Austrian trade treaty of 1865 was agreed to by the Austrians largely in the hope that it would give them access to the London money market on better terms.³ The results were disappointing, and the episode must be set down as another failure of an Austrian attempt to use tariffs as a weapon in the service of other ends.⁴ In the twentieth century, Anglo-Austrian

¹G. P., No. 3784.

²Korff, pp. 47-49; Morgan Shuster, The Strangling of Persia (New York: Century, 1912).

³Lang, pp. 199-201.

⁴Peez, "Die Osterreichische Handelspolitik der letzten 25 Jahren," Schriften, XLIX, 174-75.

relations were a by-product of Anglo-German relations. Britain and Austria ceased to work together only when Britain ceased to oppose the advance of Russia. As late as 1912 Britain and Austria worked together to check the demands of the Serbs.¹ Even in the Austro-Serbian crisis that led to the World War, Britain made it clear that she had no interest in the Serbian cause until it became a European question.

The relations of France with Austria were the resultant of the relations of France with Italy and Germany. Until 1866 France was supporting Italy in her efforts to free the peninsula from Austrian rule. During the 60's, however, Napoleon III's desire to extend his system of treaties was sufficiently intense to give political significance to the attitude of other powers towards his commercial proposals. Thus he is quoted as saying with regard to the Franco-Austrian trade treaty of 1865 that the attitude of Austria on the tariff question was the indicator of Franco-Austrian friendship.²

Between 1866 and 1879 relations were more cordial because, after all, the interests of France and Austria-Hungary did not come in conflict at any point. Even in the various treaties of the Triple Alliance, the Austro-Hungarian statesmen were careful not to commit themselves against France. The latter country, however, regarded Austria as an enemy because of her alliance with Germany. There were no incidents in connection with trade or tariff questions that were of much significance for the political relations of the two countries.³

It must be remembered that French trade with Austria-Hungary was very small. Indeed, on one occasion there was a mild tariff war of seven weeks duration between the two countries "the result of an oversight through which a treaty had not been renewed.

¹Alfred Francis Pribram, England and the International Policy of European Great Powers, 1871-1914 (Oxford: Clarendon, 1931), p. 142.

²Lang, p. 200.

³A minor incident, also a by-product of Franco-Italian relations, occurred in connection with the capitulations in Tunis. France desired to get rid of these and decided to approach Austria-Hungary first, since the interests of that country in Tunis were small. By consenting to higher Austrian duties on French wine, France induced Austria to give up her rights under the capitulations. Dumba, pp. 59-60.

Political relations at the time were the friendliest."¹

To sum up for these other relationships, the absence of tariff or trade incidents of any significance for political relations renders a detailed discussion of those relations superfluous. Moreover, these relationships were not decisive for European history. We are, therefore, at the end of this part of our task; it remains to see if the facts presented up to this point yield any conclusions of significance for the student of tariff or political history.

¹Lang, p. 268.

CHAPTER XI

CONCLUSION--TARIFFS AND WAR

Direct Relations

From the foregoing discussion, it is clear that no case can be made out for any significant correlation between political and tariff friction. In four cases--Germany and England, Germany and Austria-Hungary, Germany and France, and Russia and England--there was a negative correlation. In three cases--Germany and Russia, France and England, and Austria and Italy--there was positive correlation at one time and negative at another. In most of the other cases, tariff relations were quite insignificant. In only two cases--Austria and Serbia, and France and Italy--was there a clear positive correlation. In both of these, it will be remembered, the tariff friction was a tool of politics--that is to say, the result and not the cause of the political hostility. From these facts emerges my first conclusion, namely, that tariff friction, as a direct cause of political hostility and therefore of war, was during this period, a decidedly minor factor. The indirect effects of tariffs operating through trade and colonial rivalry will be discussed later.

Another fact that might be mentioned is that tariff wars were much less frequent after 1898 than in the preceding twenty years. To be more precise there was one tariff war in the later period compared with three in the earlier period. The cases are too few to be very significant, but if the tariff were involving the smaller powers were included, the case would be stronger. The tariff wars France waged with Switzerland, Spain, and Portugal, the Austro-Rumanian tariff war, and the Italo-Swiss tariff war, all belong to the nineteenth century.

At first sight it might seem strange that tariff wars should grow less frequent as tariff walls grew higher. In reality there is no mystery about it. As Petermann points out, the commonest cause of tariff wars is some sudden change in trade relations such as the denunciation of a trade treaty, the application

of a general tariff, or the raising of a tariff.¹ Now the fact is that although most of the tariff wars occurred when duties were much lower than they came to be in the twentieth century, nevertheless, they occurred after the turn in the trend of tariffs, i.e., after and usually because increases in duties had been decided on by one or both states. It is the change in the tariff rather than the height of it that causes friction, because it is the change that destroys markets. Thus it comes about that there is no correlation between the injury done by a tariff and the feeling it engenders. German propagandists made more fuss over such trivialities as the British Merchandise Marks Act and the registration duty of twenty-five cents a ton on grain than they did over the prohibitive rates of the American tariff.

There are two other circumstances to be remembered in explaining the frequency of tariff wars in the period from 1875 to 1895. The first is that it was a period of falling prices. Such a period is always a period of difficulty for business men and thus generates a psychological attitude which welcomes the stoppage of imports. The second is that at that time protection was hardly respectable in enlightened circles. The prosperity that had been experienced in Britain, France, and the other countries that had adopted free trade or low tariffs, added to the logic of the economists, made many of the defenders of protection excuse it as a temporary situation. Hence, tariff acts were looked upon as bluff, as measures intended to be used for bargaining purposes rather than for execution. Of course, there is a good deal of truth in this view of tariffs, but unfortunately the only way to find out whether a negotiator is bluffing or not is to refuse his demands and see what happens. What frequently happens is that a tariff war begins and when that happens questions of pride and prestige get into the picture and the tariff war goes on. Thus the British Ambassador reported with regard to the Franco-Italian tariff war that France made fresh proposals after negotiations were broken off in February, 1888, but that national pride prevented Italy from entertaining them.²

¹Petermann, p. 52.

²Great Britain, Foreign Office, Blue Book on Tariff Wars Cd. 1938, Report of Rennel Rodd.

In the twentieth century, on the other hand, high tariffs had come to be regarded as part of the normal course of events, the autonomous or maximum-minimum system had become more general, and it had come to be recognized that tariff wars were costly and more likely to redound to the benefit of third states than to those waging the tariff war.¹

A third point brought out by the study is that the tariff is a very poor servant of politics. There were four cases in which the political motive was powerful or perhaps dominant in tariff policy. The first was the very complicated case of Austria versus Prussia. Here both states used the tariff weapon, and as Prussia used it more skillfully and emerged victorious, it might be set down as a triumph for the tariff as a tool of politics. Since, however, the issue was finally decided by open warfare, and since in this war Austria was supported by the most important states of the Zollverein outside of Prussia, we cannot give the tariff the entire credit.

The second case was the Austrian attempt to create an Italian Zollverein to strengthen her political position in the peninsula. In this case the tariff did not have a fair chance to demonstrate its effectiveness, because the only part of the plan that ever went into effect, the treaty between Austria, Modena, and Parma, was not of sufficient extent or duration to prove anything. In any case, it cannot be listed as a success. The contrast between the success of Prussia in the Zollverein and the failure of Austria in Italy must, I think, be ascribed to nationalism. Austria and Prussia both being German states, there was no nationalist issue between them, and in the absence of nationalism the tariff proved a good weapon. In Italy the nationalist issue was so strong that nothing else made much difference.

The third case of tariffs as a tool of politics was the Franco-Italian case. Here, in contrast to the two just discussed, the aim was not to extend political influence by means of a tariff union but by tariff and financial war to force a political

¹Cf. Alfred Marshall, "Memorandum on Fiscal Policy" in F. W. Taussig's Selected Readings in International Trade and Tariff Problems (Boston: Ginn & Co., 1921), pp. 445 ff.: "Nearly every one who is trying to get taxes on imports lowered on behalf of his own country is likely to be working for England's good under the most-favored-nation clause. . . . England's masterly policy of quiescence is rewarded by her reaping the fruits of other people's excitements, quarrels, and worries."

change on another state, namely, to drive Italy out of the Triple Alliance. As we saw, the actual effect was precisely the opposite of that desired by France. The only time Italy's adherence to the Triplice was genuine was during the friction with France.

The fourth case was that of Austria and Serbia. Here the tariff was used as a tool of politics over a long period of time but in no consistent manner. Sometimes it was used to compel a political change like the retirement of Ristitch; sometimes it was used to unite Serbia's economic life as closely as possible with that of the monarchy--to get Serbia into a state of "dependence" on the monarchy; sometimes it seemed as if the desire was to injure Serbia and so punish her for conduct displeasing to the monarchy. In the end, in spite of occasional victories in minor matters, the attempt ended in complete and admitted failure, and after 1911 was given up.

In two other cases in which political considerations were present, the Cobden Treaty and the Franco-Russian convention of 1893--to which might be added others like the Caprivi treaties and the Franco-Italian rapprochement--the objective was that of securing peace or creating goodwill, and for these purposes the tariff weapon--in all cases a lowering of the tariff--had some effectiveness. On the whole, it seems fair to conclude that tariffs--that is, tariff favors--may in favorable circumstances be made to serve political purposes, that tariff wars are quite ineffectual for such aims, and that pitted against the sentiment of nationalism the tariff is of no avail no matter how it is used.

Another point that is likely to be overlooked when attention is concentrated on international contacts, but which comes out clearly when the tariff history of the different countries is studied in its entirety, is that in the main, and increasingly as the years have passed, tariffs have been enacted in the supposed interests of the politically dominant classes in the various countries with very little consideration of their effects on international relations. The trend towards legislative tariffs, including the restrictions legislatures lay on the executive in states in which tariff making by treaty remained important to the end of the period, was at once an illustration of the growing importance of purely domestic considerations and an impediment to the use of tariffs for political purposes. This supremacy of the domestic point of view would be brought out more clearly if space

permitted a consideration of the tariff histories of the smaller states.

A final point, too well known to need elaboration but which should be mentioned for the sake of completeness, is that in many cases states have used their political power to secure tariff concessions from other states and that occasionally this has led to political hostility. The most frequent cases of this occur, of course, in the relations of great powers with backward states. The repercussions of these attempts to secure trade privileges in colonial areas on the relations of the great powers merges with the question of trade rivalry and is discussed in the next section.

As far as the great powers are concerned, however, there are very few cases in which political relations have been detrimentally affected by tariff friction arising from the economic motive of securing more favorable duties from another state. The case of Germany and Russia in the 90's is the only clear case our study has revealed. In other words, when we eliminate the cases in which the tariff has been a tool of politics, we have only one case extending over only a few years in which tariff friction seriously affected the relations of any of the great powers of Europe in the sixty years preceding the World War.

To bring out more clearly the unimportance of tariff friction in the causation of war, it is advisable to review briefly the wars of the period and note the small part that tariffs played.

The war of France and Sardinia against Austria, 1859, the war of Austria and Prussia against Denmark, 1864, the war of Prussia and Italy against Austria in 1866, and the Franco-Prussian War, 1870-71, were all clearly due to nationalistic and dynastic rivalries connected with the problems of German and Italian unification. Tariff difficulties were not present in any of these cases. The Russo-Turkish War of 1877 had nothing to do with tariff troubles, since the Turkish tariff at the time was rather imposed by the powers than enacted by Turkey, and remained the same after the war as it had been before. The Serb-Bulgar War of 1886 was clearly and avowedly the result of Serbian attempt to get "compensation" for the enlargement of Bulgaria. The war between Greece and Turkey, 1897, was clearly another conflict rooted in irredentist nationalism.

In the negotiations preceding the Italo-Turkish War of 1911-12, the Turks offered to make any economic concession requested by Italy which was consistent with the status of Tripoli as a Turkish province and with her treaty obligations. Although the reasons for declaring war officially made public by Italy related to Turkish opposition to Italian economic interests there, the fact was that the most important of these, those of the Banco di Roma, had been undertaken at the instigation and under the subsidy of the Italian government in order to create an excuse for an intervention that had been decided on long before.¹ The Balkan wars of 1912-13 were clearly another case of irredentist nationalism. The ultimatum which the Balkan states addressed to Turkey made no mention of tariffs, trade, or any other economic matter.

The problem of the causes of the so-called World War is too big to be dealt with here. It is generally agreed that in its immediate origins neither tariffs nor any other economic considerations played any significant part. The role of tariffs as a factor in shaping the underlying attitudes of the peoples, and in affecting the alignment of the powers, has been shown in the preceding pages to have been slight. As a direct cause of war, tariff friction in this period was a negligible factor.

Indirect Relationships: Tariffs, Trade Rivalry, Colonialism, and War

The outstanding cases of trade and colonial rivalry in the pre-war period were those of Britain and France, Britain and Germany, and Germany and France. Britain and Russia, Italy and France were minor cases. I have argued that trade and tariff friction must have been unimportant, since Britain became allied to France and Russia without any change having taken place in their tariff and colonial policies, and became the enemy of Germany, whose tariff policy was much more satisfactory to Britain. This argument does not convince the upholders of the trade rivalry theory of Anglo-German hostility, who argue that it was because Germany had become a more important and more dangerous trade rival than France or Russia that Britain changed her attitude. Professor

¹G. P., X, 841; Staley, pp. 62 ff.

Hoffman has made an excellent presentation of this point of view.¹ He admits that "no evidence whatever has been unearthed to indicate . . . a conspiracy of interests in Britain to reduce Germany for purposes of economic gain . . . the trade journals, on the whole, bear out Sir Edward Grey's statement that British business wanted no disturbance of the peace."² He argues, however, that the idea of an ultimate and virtually inevitable conflict with Germany was born in England and that the fear and hatred of Germany in England stimulated as it was by the protectionist press was rooted in trade rivalry and was a powerful factor in shaping the general anti-German attitude of the British government in the years before the war. He points out that the Tariff Reform campaign in the elections of 1906 and 1910 exploited the popular fear and distrust of Germany to the limit. The author omits to state--surely a relevant fact--that the anti-German tariff reform movement was defeated on both occasions. He admits that the fleet question "was the decisive question in Anglo-German relations after 1900,"³ but argues that the naval rivalry grew out of the trade rivalry.

My position with regard to this argument, as with regard to the arguments by which the Germans sought to justify their fleet, is that it is absolutely necessary to distinguish between conflicts of economic interest and propaganda. If, as economists would agree, the economic interests of Germany and Britain were on balance harmonious rather than conflicting and were so regarded by the statesmen of both countries--as was the case--then economic rivalry was not a factor in causing the war. If British protectionists and the German Navy League used the trade rivalry argument as a whip to stir up animosity in both countries--as they did--the resulting conflict must be ascribed to the propaganda and not to the economic situation.

The reason I insist on this distinction so strongly is because of its immense significance for policy. If wars were really rooted in the clash of economic interests there would be a strong case for the argument that they are inevitable and armaments are the indicated policy. If, as I maintain, the economic factors are

¹Ross J. S. Hoffman, Great Britain and the German Trade Rivalry, 1875-1914 (London: Milford, 1933).

²Ibid., pp. 277-79.

³Ibid., p. 300.

merely the tools of propagandists, the indicated policy is education.

Nevertheless, it is true, as happened in the Anglo-French and Franco-Italian cases, that in the absence of more powerful forces, trade and colonial rivalry may determine the relations of states. Even if we conclude, as I think we must, that trade and colonial rivalry were incapable of producing war in the world of 1914, it does not follow that they cannot be made the excuse for war by dictators who glorify war for its own sake.

It is therefore necessary to examine the role of tariffs in trade and colonial rivalry, in other words, the indirect effects of tariffs.

To begin with, it must be admitted that the revival of interest in colonialism coincides with the beginning of the return to protection as a permanent policy. We have noticed that under Gladstone there was a period of anti-colonialism in Britain. There was an even greater opposition to colonies in France.¹

Bülow, when an understudy of Bismarck, expressed the general feeling of statesmen of the time towards colonies when he said, in speaking of Morocco, ". . . an unfruitful land in the midst of war-like people whose aggressions would no doubt lead to colonial expeditions against our interests and our views."²

The change that took place in the attitude of Bülow towards Morocco is typical of the change that took place in the minds of leading statesmen in all the powers towards colonies, just as the change in the attitude of Bismarck to protection reflects the general change of opinion with regard to tariffs.

As I see it, the two changes were but two aspects of a single phenomenon, namely, the growth of chauvinistic nationalism at the expense of liberal cosmopolitanism. There is, however, a direct as well as an indirect connection between tariffs and colonialism. The direct effect was voiced by Ferry, the theorist of French colonialism, who made the rising tariffs of European nations and of the United States, the basis of his policy. Colonies, he said, were necessary as markets because other markets were being closed by tariffs.³

¹Roberts, I, 9-10.

²D. D. F., Ser. I, II, No. 362, November 21, 1878.

³Roberts, I, 15-16.

In accordance with this policy, France attempted to monopolize the trade of her colonies by means of preferential tariffs. This, as we noticed, not only incurred the hostility of Britain for a long period, but also stimulated the other powers to enter the race for colonies. As long as Britain and Holland, with their low tariffs and open-door policy, were the only important colonial powers, other powers were content to compete in trade and leave the expense and trouble of administration to the good-hearted Englishmen and Dutchmen. There was also a feeling on the continent at this time that the ultimate destiny of colonies was to fall into the hands of Britain or to become independent. But when France revived the colonial policy of the mercantilist period, other nations did not want to be left behind, and the scramble for colonies became general. This was the indirect connection between tariffs and colonialism. Colonies were wanted to prevent other nations from securing a trade monopoly there.¹ The Germans, in keeping with their penchant for generalization, built up what might be called a new theory of historical evolution out of the facts of rising tariffs and expanding colonial domains.² This theory, which attracted a wide following and was an important factor in the success of the propaganda of the German Navy League, was to the effect that the world was to be divided between a small number of world empires, and that all smaller states must ultimately disappear. The Spanish-American War and the Boer War, were looked up as marking a new and important stage in this process; the former representing the beginning of American expansion outside of the American continent, and the latter, the beginning of British conquest of civilized nations of the white race. The high rates of the American tariff, the tariff reform movement in Britain and the Canadian preference scheme were all used as arguments to prove the necessity for markets that would be under the political control of Germany, and for a fleet that would be powerful enough to assure Germany her place in the sun.

In some cases tariff protection at home, the search for colonies, and the desire to build up a strong military machine

¹ Helen Bosanquet, Free Trade and Peace in the Nineteenth Century (New York: Putnam, 1924), pp. 118 ff.

² Dietzel, "Theorie der drei Weltreichen," Die Nation, April, 1900; Friedjung; Schmoller, Bering, and Tanner, Germany and Machtpolitik.

formed a mutually supporting trinity--protection being invoked to secure self-sufficiency in time of war, military power to secure colonies, and colonies as a substitute for foreign markets. In Germany and France the military argument was used to justify protection for agriculture; in Russia, for manufactures, especially the heavy industries. In Britain, where self-sufficiency became impossible during the Liberal era, the desire for safety showed itself in the big navy policy and in the hostility to Germany that arose when Germany attempted to rival Britain in sea power.

On the other hand, it has been pointed out that the British open-door policy in colonial areas was largely responsible for the acquiescence of other powers in the extension of British rule in various parts of the world.¹ The guarantee of free trade in the Congo basin was a factor in securing the acquiescence of the powers in Belgium's occupation of that area.²

There were, of course, other motives for colonizing--religious, philanthropic, military, etc.--and there is an indirect connection between nationalism and colonialism that is not sufficiently recognized. The colonial enterprises of France and Italy were to a large extent motivated by considerations of prestige. France was seeking colonies as in a sense a substitute for Alsace-Lorraine, Italy as a substitute for Trieste, Trentino, etc. And yet, however much weight we assign to these motives and however much we doubt the sincerity of statesmen who urge the economic necessity for colonies, it cannot be denied that the desire for markets has been a powerful factor in colonialism, and that the spectacle of rising tariffs on all sides has given weight to the cry for colonial markets.

I conclude, and this is my thesis in a sentence, that while tariffs have been unimportant as direct causes of international friction and war, still indirectly, they have been a large factor in contributing to colonial rivalry which has been, and continues to be, a major threat to peace.

¹William S. Culbertson, International Economic Policies (New York: Appleton, 1925), p. 192.

²Bosanquet, pp. 118-30.

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